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# Improvements in Cooperative Livestock Marketing

U.S.S.R. A Study of the  
Equity Cooperative  
Livestock Sales  
Association

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IMPROVEMENTS IN COOPERATIVE LIVESTOCK MARKETING: A Study of the Equity Cooperative Livestock Sales Association. By Raymond L. Fox and John T. Haas, Cooperative Marketing and Purchasing Division, Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture. Farmer Cooperative Research Report 11.

### **ABSTRACT**

This study of operations and services was requested by the Equity Cooperative Livestock Sales Association of Baraboo, Wisconsin. It appraises nearly 20 years of operations following a transition from terminal market and private treaty selling to auction markets. Goal setting, consolidation or coordination with other cooperatives, and management staff restructuring are among the report's recommendations.

Keywords: Cooperatives, livestock marketing, auction markets.

# CONTENTS

	<i>Page</i>
<i>Highlights and recommendations</i> .....	iii
<i>Introduction</i> .....	1
<i>Organization structure</i> .....	3
<i>Facilities and services</i> .....	3
<i>Headquarters office</i> .....	3
<i>Auctions</i> .....	4
<i>Field services</i> .....	8
<i>Member and public relations</i> .....	8
<i>Financing</i> .....	9
<i>Trucking</i> .....	11
<i>Livestock production trends and outlook</i> .....	11
<i>Wisconsin livestock slaughter</i> .....	15
<i>Analysis of operations</i> .....	17
<i>Volume of livestock marketed</i> .....	17
<i>Number and size of patrons</i> .....	19
<i>Competition</i> .....	19
<i>Buyers and outlets</i> .....	23
<i>Revenue and expenses</i> .....	23
<i>Personnel</i> .....	25
<i>Management structure</i> .....	26
<i>Long-range planning</i> .....	29
<i>Facing the future</i> .....	30
<i>Appendix</i> .....	31



## Highlights and Recommendations

The Equity Cooperative Livestock Sales Association of Baraboo, Wisconsin, is in its 57th year of providing livestock marketing services to Wisconsin farmers. It operates 10 auction markets and two private treaty yards selling all types of livestock. It is Wisconsin's largest marketing agency, selling more than 50 percent of livestock sold at all auctions in the State. Equity marketed livestock for more than 50,000 farmers in Wisconsin, north-central Illinois, and the Upper Peninsula of Michigan in 1977. This is double the number of patrons served in 1960. It also provides a statewide livestock news report to newspapers and radio and television stations.

Equity opened its first auctions in 1957 and now markets most of the livestock consigned to it through 10 auction markets located in the area of livestock production centered in the middle and southern parts of Wisconsin.

Equity's headquarters opened in the Cooperative Service Center building at Baraboo in 1968. Equity and two other cooperatives own the building and share data processing equipment and other facilities. Equity's headquarters is centrally located with respect to its markets, and is near Madison, making it convenient to work with staff members of the University of Wisconsin and Wisconsin Department of Agriculture.

Equity's volume has grown from 8,149 carloads in 1960 to 19,401 carloads in 1977, with an expected increase of 110 carloads in the 1978 marketing year (a carload is 25 cattle, 75 calves, 70 hogs, 250 feeder pigs, or 115 sheep). Volume has provided sufficient earnings to expand and remodel the auction facilities. Preferred stock sales and debenture bonds furnished most of the capital to build new auction facilities. Multiple sales are held at nine of the auctions, spreading fixed costs over a larger volume of livestock than if the auction operated only 1 day a week.

Equity has competition for marketing livestock from 21 other licensed auctions, 974 dealers, 117 buying stations, and many order buyers. The terminal markets at Milwaukee and South St. Paul also compete with Equity for Wisconsin livestock.

Equity has built its strength through shipping associations which own the voting stock of the cooperative. These associations help provide member and public relations programs aimed at those interested in livestock production and marketing.

Personnel, including the general manager, department heads, and market managers, are experienced livestock people. A training program informs employees of new livestock production and marketing practices. Equity salaries and fringe benefits are comparable to most industries in the area.

Most of the recommendations from a special 1963 Farmer Cooperative Service study (see text footnote 2) have been adopted in part, if not fully, by Equity. The following recommendations now deserve serious consideration.

1. Establish short-, medium-, and long-range goals dealing with future programs and expansion of Equity.

2. Consolidate or coordinate services with other cooperatives that might lead to merger and build a stronger organization capable of dealing with the largest buyers.
3. Restructure the central office management staff to permit the general manager to delegate additional duties to department heads and spend more time on overall management.
4. Increase management training to meet the complex problems of changing market situations.
5. Expand efforts to attract new patrons and to make existing patrons more aware that they own Equity, and that it is in their interest to support their own markets with their patronage.
6. Pool veal calves and cull dairy cows of similar weight and quality to reduce sale time and costs and increase price level.
7. Consider teleauction selling to sell species that have limited outlets in Wisconsin.
8. Study the feasibility of holding more special sales.
9. Study and seriously consider controlling slaughter plants jointly with other cooperatives. Financing such operations would require producers to make larger investments in the equity capital of their cooperative.





# **Improvements in Cooperative Livestock Marketing: A Study of the Equity Cooperative Livestock Sales Association**

**Raymond L. Fox and John T. Haas<sup>1</sup>**

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## **Introduction**

In June 1977, the board of directors of Equity Cooperative Livestock Sales Association of Baraboo, Wisconsin, requested the Farmer Cooperative Service (FCS is now part of the Economics, Statistics, and Cooperatives Service), U.S. Department of Agriculture, to study the cooperative's operations. Objectives of this study are to determine if Equity has adopted recommendations made in a 1963 FCS study<sup>2</sup>, and suggest ways Equity can better serve Wisconsin livestock producers.

This study appraises almost 20 years of auction marketing following a period of transition from terminal marketing and private treaty selling. During this time, the Equity board of directors and management have provided improving services to the cooperative's membership and have secured better returns for farmers in Wisconsin and adjacent States. This period has been marked by many changes in market demand from slaughterers and other outlets. The declining number of packers operating in Wisconsin has made it necessary to find out-of-State buyers for more livestock.

Equity has provided livestock markets for Wisconsin farmers for 56 years. In 1922, it provided marketing services only on the Milwaukee terminal market. Later, private treaty markets were developed at various locations. Auction markets were first started in 1957 and today provide the primary method of selling livestock of Equity's members in Wisconsin and Michigan's Upper Peninsula. These markets also draw livestock from northern Illinois, eastern Minnesota, and northeastern Iowa. Private treaty is used at some markets on nonauction days and at lamb pool points.

Equity can help all kinds of livestock producers; however, dairy animals will constitute the major portion of the business. The auction method of selling lends itself to this kind of business.

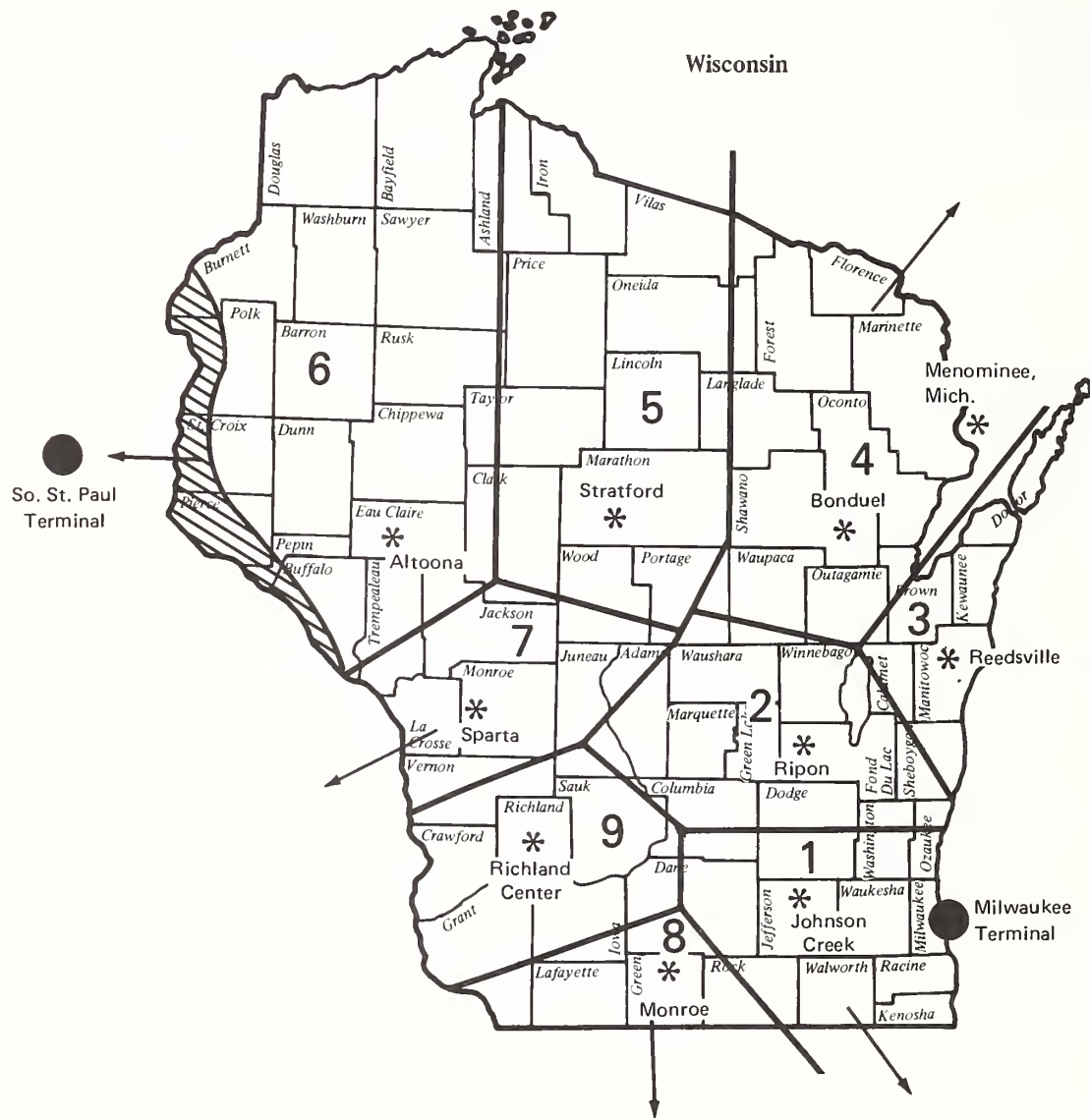
Staff members and directors of Equity, the Wisconsin Department of Agriculture, and the University of Wisconsin provided information for this study.

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<sup>1</sup>Consultant and formerly senior agricultural economist, livestock, Farmer Cooperative Service, and senior agricultural economist, livestock, Economics, Statistics, and Cooperatives Service, U.S. Dept. Agr., respectively.

<sup>2</sup>C. G. Randell, *Equity Cooperative Livestock Sales Association: A Wisconsin Operation*. Circular 32. Farmer Cooperative Service, U.S. Dept. Agr., Jan. 1963.

**Figure 1 — Membership districts and location of auction markets of Equity Cooperative Livestock Sales Association, 1978**



## Organization Structure

Equity is a federated cooperative owned and controlled by 61 member-cooperative shipping associations that hold all of its common voting stock. Each patron marketing livestock through one of Equity's markets is a member of a shipping association in his area. These shipping associations hold annual meetings and select delegates to vote on subjects considered at Equity's annual meeting. They are located in nine districts that divide the State and are centered around Equity's auction markets (fig. 1). Districts 4 and 8 also serve Michigan and northern Illinois, respectively.

During the past 10 years, many shipping associations have consolidated, reducing their numbers from 188 in 1960 to 61 in 1978. Improvements in highways and trucks and location of markets closer to livestock producers cut the need for many associations.

Equity is the only U.S. livestock marketing cooperative which depends entirely on shipping associations for its volume. Most others have chosen to go to the direct farmer membership basis. *There is no reason for Equity to change its policy.* In fact, this is an effective way to keep contact with patrons and involve more people in the overall policymaking process. This support through local shipping associations gives the members a sense of belonging and helps them identify with Equity as their own cooperative.

The board of directors is composed of nine livestock producers, each representing one of the Wisconsin districts. There is one auction market in each district, with the exception of district 4 which includes auctions at Bonduel, Wis., and Menominee, Mich. Directors are nominated in each district for election at Equity's annual meeting, with election being at the discretion of the voting delegates.

Three directors are elected each year and serve a 3-year term. This guarantees experienced board members to maintain continuity of policy and gives new persons coming onto the board time to gain training and experience.

The directors and management meet monthly to discuss operations and operating policy. Most directors have perfect attendance records. Per diem and travel allowances are not high enough to cover directors' monetary loss from being away from their businesses, so their high attendance record at such meetings indicates their desire to serve their cooperative and fellow farmers. A survey of directors indicated that each sold all his livestock through Equity's markets, further proof that they fully support their organization. The survey results also indicated that some directors had found new patrons for Equity's services, although only about half of the directors considered solicitation of new patrons their responsibility.

We suggest that board of director's meetings be restricted to *six regular meetings annually* plus special meetings when needed. Written communications from the Baraboo office could keep directors informed about overall operations.

## Facilities and Services

### Headquarters Office

As Equity added auction markets in the late fifties to cover the important livestock producing areas of the State, management realized that a more centralized office location would be beneficial. In 1966, Equity moved its headquarters office from the Milwaukee terminal to Baraboo. This centralized location, with a good highway system fanning out to the auction markets, permits management personnel to reach markets and return home each day. In 1968, Equity moved into its present offices in the Cooperative Service Cen-



*Equity's headquarters office is in the Cooperative Service Center, itself a cooperative venture.*

ter, a cooperative venture involving three associations: Equity, Tri-State Breeders Cooperative, and Wisconsin Dairies Cooperative.

Costs of construction and maintenance for the CSC building have been shared at a savings to each of the three cooperatives. Equity has also realized savings in joint use of accounting and data processing equipment that provides modern automated recordkeeping. There have been savings in group orders for supplies and for services and utilities. In addition, the building presents a good image to members and the general public and the joint venture instills pride in employees.

The headquarters office staff provides a number of services to Equity auction markets and member shipping associations. Staff members from Baraboo are in regular contact with auction managers by telephone and personal visits. They are ready to fill in for people on an emergency basis. The general manager, assistant general manager, director of member relations, and other staff personnel supply assistance wherever needed.

Daily operations remain in the hands of the market manager and his local staff. The auction office staff prepares account sales, pays farmers, and collects from buyers. Records are sent to Baraboo for processing and consolidation. The accounting department furnishes each market with current records and maintains annual statements. All auction markets use local bank accounts, which are reconciled by the Baraboo accounting department. Equity management considers local banking to be a good public relations practice and farmers prefer checks from their local banks.

Personnel from Baraboo attend and assist in conducting market, district, and shipping association meetings. The accounting department also maintains certain records for the member shipping associations.

## **Auctions**

Equity operates 10 auction markets, 9 in Wisconsin and 1 in Michigan (fig. 1). It also does private treaty business at two smaller markets. The auctions are located in areas of heaviest livestock production; however, districts 4, 5, and 6 draw livestock from many areas of limited production.

Auction locations were determined after studies by the University of Wisconsin, Wisconsin Department of Agriculture, and Equity personnel. In some cases facilities



could not be expanded to handle the growing livestock volume because not enough acreage was purchased at the time of construction. However, use of multiple-sale days each week has eased overcrowding. In other cases, the original auction facilities have been expanded to handle more livestock.

The multiple-sale days help cover fixed costs of auctions. One reason for high auction operating costs has been that most auctions used a high-cost facility only 1 day a week. The more a facility is used as near capacity as possible, the more operating costs per unit will be reduced.

Equity has some of the most modern auction buildings in the Nation. Costs of these auctions are higher than in some other regions because of severe winter weather that requires protection for livestock. In December 1977, the total undepreciated value of Equity's marketing facilities was nearly \$2 million. This cannot remain a static figure since building costs are increasing rapidly. The nature of auction selling dictates that there must be almost constant changes within a facility, especially when there are changes in classes of livestock handled or more efficient methods are developed for handling animals: unloading, moving through the sales ring, and loading out to buyers. Each change should contribute to lower overall operating costs.

Multiple-sale days at most of the auctions give patrons a choice of time to market. Each auction manager should *encourage more patrons to market on low-volume sale days*. Farmers as well as buyers may have good reasons for selling and buying on certain days, or may do so by force of habit. Labor contracts of slaughtering plants virtually dictate that they kill a uniform volume each day. If adequate livestock is available for sale at markets, buyers likely will be present to purchase animals.

The nine auctions operated by Equity in Wisconsin appear to be able to handle the expected volume for the next 5 years. However, additions to buildings will be required and some operating procedures must be changed. *Pooling veal calves and cull dairy cows* in lots of similar grades and weights is a marketing method which Equity should consider. Not only would it enable the auction to sell more rapidly but it could enhance the prices received as most buyers would save time at each sale.

Equity has held special sales to serve producers' needs and make fuller use of its auction facilities, but they were discontinued because of lack of support. However, some directors and auction managers now believe that farmers would like more special sales for dairy replacements and feeder cattle. Changing emphasis on more cattle feeding and larger dairy operations should encourage management to *study the feasibility of holding more special sales*.

Auction sales are scheduled to accommodate patrons and buyers. Sale starting times vary from market to market. In order to reduce overtime and other costs for employees working late evening hours, *both farmers and buyers may need to be encouraged to accept an earlier starting time*. This would mean that some truckers would need to make earlier pickups at farms, especially those making two trips daily and those hauling long distances. In areas where farms are widely scattered and farther from the auction, only one delivery per day can be made and it may be several hours after the auction selling begins. These late deliveries often cause sale delays, or at least longer sale hours.

In many auctions in other States, late selling livestock often brings lower prices than that sold during the first 4 hours of a sale. Some buyers become weary and leave; others may stay around hoping to buy at bargain prices. This could develop at Equity's markets if sale time is prolonged for many hours.

Many farmers believe their animals may shrink excessively if delivered early in the



*Equity has incorporated the most up to date design features in its new auction markets. This "corner" sale ring at Monroe eliminates several 90 degree turns for livestock during the selling operation.*

*All steel pens and gates in Equity's newest auction market at Monroe contribute to low maintenance costs and help reduce bruising. From the catwalk buyers and farmers can observe livestock without interfering with operations.*







*Equity has continued to provide farmers with livestock marketing services even in the face of adversity. Following destruction of the Altoona market (above), Equity built a modern facility (below) outside of town that was more accessible to farmers.*



day; this encourages late delivery. Equity's practice of selling in order of arrival of the livestock should overcome farmers' reluctance to deliver their animals earlier. Early delivery also helps distribute labor requirements and cut down waiting time for unloading and penning livestock.

## **Field Services**

Field services have been and still are an important means of obtaining volume for Equity auctions. Market staff members call on farmers and potential patrons when sales are not being held. Managers and assistant managers of individual auctions, as well as a few specialists, render appraisal services to cattle and hog producers to help determine weight and market condition of animals. Some advice is provided on selection of animals and feeding rations, but the important service is to help patrons market at the best possible time.

These contacts are the best way to encourage patronage of a market. It is readily evident that a market manager is making contacts with livestock producers if market volume remains steady or shows an increase. There is no substitute for constant field work to keep a market growing.

About half the directors indicated to us that *operating management should exert more effort to obtain new patrons* for Equity's markets. It was stressed that Equity must continue to tell non-users of the benefits of marketing their livestock through Equity.

## **Member and Public Relations**

Equity maintains constant contact with its membership and the public through its newsletter, involvement of many people in the decisionmaking process, special meetings, cooperation with print and broadcast media, and other means.

The EQUITY LIVESTOCK NEWS ROUND-UP, the cooperative's official publication, is distributed about 10 times annually to members and others interested in the cooperative. It provides information on markets and market services and offers market outlook and livestock information. In addition, members, truckers, and employees are often featured with special recognition for services beneficial to the cooperative. A recent survey of Equity's member association directors indicated a majority approval of the ROUND-UP as a source of information.

Equity involves an unusually large number of people in the decisionmaking processes. These include the board of directors, headquarters management staff, market managers, shipping association officers, county agents, vocational agriculture teachers, university staff members, State department of agriculture employees, and farm organizations.

Often, committees from the board of directors work on special studies and report to the full board and general management. Another group selected from the various districts makes up the resolutions committee that prepares the report for annual meeting actions.

Meetings are held at the district level, with shipping association membership, truckers, and other groups connected with livestock production and marketing. Equity management staff members also attend other cooperatives' meetings, as well as livestock improvement meetings. Equity supports livestock improvement efforts as a means of helping farmers produce better quality livestock and increase their income.

Equity's support of 4-H and FFA Club members has been designed to help all club members obtain market prices for their livestock. It has not been the policy to buy the



top show animals at inflated prices with the cost absorbed by the cooperative. Many of Equity's facilities are used for club shows and demonstrations.

Equity provides market reports to many newspapers and radio and television stations. ROUND-UP frequently publishes a list of stations carrying Equity's reports (fig. 2).

USDA's Agricultural Marketing Service has recently instituted a market price reporting service at selected Wisconsin auction markets. There is some reporting duplication, but the USDA and Equity reports provide wider coverage than either could singly. Equity management has decided to continue its reporting until it is determined whether the Federal market news reports can adequately serve producers' needs. Expansion of Equity's market information gained some votes in the director survey.

Equity attempts to maintain good working relationships with other Wisconsin organizations that are interested in the livestock industry and can help Equity achieve its purpose. The University of Wisconsin has helped Equity by making economic studies relating to overall activities, assisting in development of livestock grading programs, and providing information to help Equity patrons produce better livestock at lower cost.

The Wisconsin Department of Agriculture also has assisted Equity when requested. The department recently studied the feasibility of a merger of Equity and another Wisconsin livestock cooperative. Its staff meets with Equity membership from time to time to discuss topics of current interest to livestock producers. Equity works closely with the department to solve problems facing its members and the Wisconsin livestock industry and seeks its help in facilitating new marketing services. The department, like the university, operates on public funds and must therefore be careful to be free of bias and avoid being accused of supporting one marketing agency over another.

Equity should *continue to seek the support of the Wisconsin Department of Agriculture and the University of Wisconsin* to improve livestock marketing services for Wisconsin producers.

The Wisconsin Farm Bureau Federation, Wisconsin Farmers Union, and National Farmers Organization (NFO) have farmers among their membership who are local patrons of Equity. Farm Bureau and NFO operate livestock markets in some Wisconsin areas that compete with Equity for volume, so some of their members feel their first allegiance is to these markets.

## Financing

Capital for financing facilities and operations of Equity is furnished by 61 shipping association members holding the common voting stock. Preferred stock sold to members in the past is being retired on a systematic basis as savings of the association permit.

The need for more capital to build auction markets required Equity to tap other financing sources. Bank loans helped but such financing did not involve farmer participation. In 1971, a program was launched to sell debenture bonds to Wisconsin farmers who bought \$300,000 worth that year. The bonds had varying maturity dates of up to 20 years and carried attractive interest rates. Sale of debenture bonds has continued as more capital was needed. On January 1, 1978, debenture bonds worth \$281,900 were outstanding, with final payment due in 1997.

Debenture bonds helped Equity raise capital when it could not qualify for other sources of financing because of its inadequate net margins. The bonds also gained wide acceptance from livestock producers. They are not capital investments but are considered promissory notes that Equity must repay. If savings from operations continue at their present rate, they should be sufficient to meet the bond due dates; the bulk comes due in 1992.

**Figure 2—Sample schedule of Equity radio and television livestock market reports (published in Equity's newsletter, ROUND-UP)**

City	Station	Frequency	Time	
Antigo	WATK	900 A.M.	11:55 a.m.	Daily
Baraboo	WBOO	740 AM	7:30 a.m.	Daily
Beaver Dam	WBEV	1430 AM	6:15 a.m.	Daily
Beaver Dam	WXRO	95.3 FM	5:20 a.m.	Daily
Berlin	WISS	1090 AM	6:30 a.m.	Daily
		102.3 FM	12:15 & 12:45 p.m.	Daily
Cornell	WWIB	103 FM	5:15 a.m.	Daily
			12:15 p.m.	Daily
Dodgeville	WDMP	810 AM	7:35 a.m.	Daily
Durand	WRDN	1430 AM	12:50 p.m.	Daily
Eau Claire	WAXX	1150 AM	11:55 a.m.	Daily
Fort Atkinson	WFAW	940 AM	6:17 a.m.	Daily
Green Bay	WDUZ	1400 AM	6:28 a.m.	Tues-Sat.
Green Bay	WGEE	1360 AM	6:29 a.m.	Mon. & Wed.
Hartford	WTKM	1540 AM	7:25 a.m.	Tues, Weds., & Fri.
Hayward	WHSM	910 AM	12:15 p.m.	Daily
Janesville	WCLO	1230 AM	5:50 p.m.	Daily
Kewaunee	WAUN	92.7 FM	6:30 a.m.	Tues. & Thurs.
LaCrosse	WKTY	580 AM	12:30 p.m.	Wed.
Ladysmith	WLDY	1340 AM	12:50 & 5:50 p.m.	Daily
Manitowoc	WCUB	92.1 FM	7:30 a.m.	Daily
Manitowoc	WOMT	1240 AM	6:40 a.m.	Daily
Marinette	WMAM	570 AM	5:50 & 6:50 a.m.	Daily
			12:50 p.m.	Daily
Marshfield	WDLB	1450 AM	6:05a.m.	Daily
		106 FM		
Medford	WIGM	1490 AM	6:30 a.m.	Mon. & Thurs.
		99.3 FM		
Menominee	WMNE	1360 AM	6:45 a.m.&	Daily
		92.1 FM	12:45 p.m.	
Milwaukee	WTMJ	620 AM	5:35 a.m.	Daily
		94.5 FM		
Monroe	WEKZ	1260 AM	6:00 a.m.	Daily
		93.7 FM	11:55 a.m.	
Oconto	WOCO	1260 AM	12:45 p.m.	Daily
Portage	WPDR	1350 AM	6:00 a.m.	Daily
		100.1 FM	12 Noon	
Reedsburg	WRDB	1400 AM	5:55 a.m.	Wed.
		104.9 FM		
Richland Center	WRCO	1450 AM	12:50 p.m.	Daily
Ripon	WCWC	1600 AM	5:45 & 6:40 a.m.	Daily
Shawano	WTCH	960 AM	6:05, 6:45, 7:20 a.m.	Daily
		99.3 FM	6:45 p.m.	Daily
			5:55, 6:25, 7:30 p.m.	Tues., Thurs. & Sat.
Sheboygan	WHBL	1300 AM	5:55 a.m.	Thurs.
Sparta	WCOW	1290 AM	12:20 p.m.	Wed.
		97.1 FM		
Tomah	WTMB	1460 AM	5:30, 6:10, 11:45 a.m.	Daily
		98.9 FM		
Viroqua	WISV	1360 AM	6:15 a.m.	Daily
Watertown	WTTN	1580 AM	12:40 p.m.	Tues.-Fri.
		104.7 FM		
Waupaca	WDUX	800 AM	12:40 p.m.	Mon., Wed., Thurs.
		92.7 FM		
Waupun	WLKE	1170 AM	7:30 a.m.	Daily
Wisconsin Dells	WNNO	990 AM	6:15 a.m., 12:15 p.m.	Daily
Wisconsin Rapids	WFHR	1320 AM	5:45 a.m., 11:55 a.m.	Daily
<b>ILLINOIS</b>				
Chicago	WGN	720 AM	5:25 a.m.	Daily
Freeport	WFRL	1570 AM	7:25, 10:22 a.m.	Daily
		98.5 FM		
<b>IOWA</b>				
Waterloo	KWWL	1330 AM	6:50 a.m.	Daily
		107.9 FM		
<b>MICHIGAN</b>				
Hancock	WMPL	920 AM	6:06 p.m.	Mon.
		93.5 FM	7:25 a.m.	Tues.
Iron Mountain	WMIQ	1450 AM	12:55 p.m.	Mon., Wed., Thurs.
Menominee	WAGN	1340 AM	6:35, 7:35 a.m.	Daily
<b>MINNESOTA</b>				
Winona	KWNO	1230 AM	1:00 p.m.	Daily
<b>TELEVISION</b>				
Eau Claire	WEAU-TV	13	Noon	Daily
Green Bay	WBAY-TV	2	12:25 p.m.	Daily
Green Bay	WFRV-TV	5	6:45 a.m.	Daily
Green Bay	WLUK-TV	11	7:25 a.m.	Daily
LaCrosse	WKRT-TV	8	Noon	Daily
Madison	WISC-TV	3	Noon	Daily
Wausau	WSAU-TV	7	Noon	Daily

Livestock cooperatives throughout the United States were begun and still operate with a minute investment from their individual patrons. Equity is no exception. At the end of calendar year 1977, livestock producers and their shipping associations held \$99,500 in common stock; \$367,525 in preferred stock, first issue; \$44,000 in certificates of interest; \$281,900 in debenture bonds; and \$529,376 in qualified patronage refunds. Average common and preferred stock ownership for 50,000 patrons is about \$10, or less than the commission for selling three cows.

Rapid changes taking place in livestock marketing and processing may dictate that *Wisconsin livestock producers make larger investments in the equity capital of their marketing cooperative* in order to increase the efficiency of marketing and gain larger returns. This is especially pertinent as more slaughtering plants cease operations in Equity's marketing territory, creating a potential need for Equity to participate in the ownership of slaughter plants to serve patrons' marketing needs.

## Trucking

Equity has provided assistance to livestock haulers in securing licenses and financing. These needs do not appear to be as great today. But there are warnings, such as the reduction in the number of truckers, that there may be a trucking shortage. Increasing costs of original equipment, maintenance, fuel, and drivers' wages may lead to further reductions in the availability of sufficient trucks to haul livestock. The cooperative needs to be alert to the inflationary and legal factors that affect truck operations. While many farmers own trucks and could deliver their livestock, the shipping association truckers perform services at lower cost and probably with better handling practices.

## Livestock Production Trends and Outlook

With few exceptions, Wisconsin livestock production trends have followed the same pattern as other producing areas of the United States.

The number of Wisconsin farms producing livestock decreased during 1969-78 (table 1) but the size of production units increased, except for sheep and lamb operations.

**Table 1—Wisconsin farms producing livestock 1969-78**

Year	Beef	Dairy	Hogs	Sheep
<i>1,000 farms</i>				
1969	34.0	68.0	29.0	5.2
1970	25.0	64.0	27.0	4.3
1971	26.0	62.0	28.0	4.1
1972	32.0	59.0	26.0	3.8
1973	33.0	54.0	25.0	3.3
1974	33.0	54.0	25.0	3.3
1975	34.0	53.0	24.0	3.3
1976	33.0	51.0	23.0	2.9
1977	32.0	49.2	20.0	2.8
1978 <sup>1</sup>	31.0	47.5	19.6	2.6

<sup>1</sup>Estimated.

Wisconsin beef cow numbers increased by 164 percent during 1960-78 (table 2). Milk cow numbers decreased by 25 percent, but milk production per cow and number of cows per farm increased. Hog numbers declined by 29 percent after having some erratic years influenced by price. The State is losing its position among the top 15 hog-producing States to newer areas in the South. Sheep numbers dropped by almost 70 percent during 1960-78. The top 10 Wisconsin counties producing each type of livestock are shown in table 3.

**Table 2—Livestock on Wisconsin farms, Jan. 1, selected years**

Year	Beef cows	Milk cows	Hogs and pigs <sup>1</sup>	Sheep
<i>1,000 head</i>				
1960	123	2,402	1,963	266
1965	163	2,378	1,616	164
1968	208	2,147	1,768	189
1969	226	2,094	1,644	179
1970	234	2,062	1,680	167
1971	257	1,846	1,932	151
1972	313	1,832	1,777	141
1973	313	1,831	1,475	124
1974	312	1,797	1,575	112
1975	345	1,810	1,400	105
1976	350	1,812	1,150	96
1977	299	1,807	1,250	80
1978	325	1,812	1,400	82

<sup>1</sup>From 1973-78, hogs and pigs were for December of previous year.

**Table 3—Ten Wisconsin counties with the largest inventory of animals of each species, ranked in order of decreasing size, 1977**

Rank	Beef cows	Dairy cows	Hogs	Sheep
1	Grant	Marathon	Grant	Columbia
2	Lafayette	Clark	Dane	Dane
3	Iowa	Dane	Lafayette	Rock
4	Sauk	Dodge	Green	Grant
5	Columbia	Grant	Dodge	Iowa
6	St. Croix	Chippewa	Columbia	Dunn
7	Vernon	Fond du Lac	Rock	Lafayette
8	Buffalo	Green	Iowa	St. Croix
9	Crawford	Shawano	Fond du Lac	Dodge
10	Pierce <sup>1</sup> Dane <sup>1</sup>	Outagamie	Sauk	Green

<sup>1</sup>Tied for 10th place.



The volume of livestock marketed in Wisconsin has varied with the number of livestock on farms. Marketings of all species but cattle have declined substantially since 1960, with decreases being largest for sheep and calves (table 4).

The outlook for increased livestock production over the next 10 years is not optimistic. Livestock production is not constant each year but depends on prices received by farmers. This accounts for considerable change and creates definite cycles.

Wisconsin's largest source of agricultural income is from the sale of milk. Milk price support levels are expected to reach \$12 a hundredweight by 1983 and the milk-feed price ratio is expected to remain favorable to dairy producers.<sup>3</sup> It appears, therefore, that dairying will continue to be the most important agricultural enterprise through the 1980's.

Wisconsin dairy cow numbers have been almost stable for the past 5 years while cow numbers in most dairy States were declining. The number of cows per Wisconsin farm will increase; dairy herds averaged 35 head per farm in 1977 but are expected to grow to about 60 head by 1984.<sup>4</sup> Fewer farmers will be engaged in dairying but no drastic reduction in State cow numbers is expected. Milk production per cow is expected to increase as better management practices are followed. The culling rate of the cow herds will probably increase with more heifer calves being retained for milking herd replacements. A slight increase in the number of cull dairy cows coming to market is possible, with some reduction in the number of calves marketed.

The change to fewer but larger dairy herds will bring both opportunities and challenges to Equity. More animals sold per farm will reduce the recordkeeping burden and encourage the sale of animals in larger, more uniform lots. The challenges will result as dairymen become increasingly aware of the valuable byproducts: veal calves and cull dairy cows. With good cull dairy cows selling for over \$700 a head and choice veal for over \$100 a head, dairy farmers are going to watch prices received for these animals more closely than in past years.

**Table 4—Livestock marketed in Wisconsin, selected years**

Year	Cattle	Calves	Hogs and pigs	Sheep
<i>1,000 head</i>				
1960	735	2,272	3,335	175
1965	1,016	1,243	3,020	138
1968	825	1,152	3,280	140
1969	801	1,105	3,252	132
1970	777	1,022	3,270	121
1971	760	1,011	3,422	102
1972	803	1,009	3,054	109
1973	746	903	2,355	96
1974	728	813	2,642	82
1975	923	964	2,360	74
1976	997	1,084	2,364	78
1977	840	1,055	2,492	68

<sup>3</sup>Truman Graf, *Dairying In The Eighties*. Agr. Econ. Staff Paper 132, Univ. Wisc. Oct. 1977.

<sup>4</sup>Ibid.

Reduced marketings and rising prices in the near future will probably encourage increased production of beef cattle and hogs. Beef cattle production and sales have changed with the cyclical pattern of prices. In 1977 and 1978, there were fewer beef cattle on farms on January 1, with 1978 showing a decrease of approximately 23 percent from 1976. However, projections indicate that beef cow numbers will increase in the next 7 years to about 400,000. Wisconsin has the resources to encourage greater beef production. With more irrigation to boost corn and hay production, there is potential for increased beef production during the next 5 to 10 years.

Fed cattle production in Wisconsin also has a good growth potential. Projections by the University of Wisconsin indicate that by 1985, fed cattle marketings could increase by more than 50 percent over 1977. Also, there are definite prospects that cattle will be fed in larger feedlots, but not comparable to those in Texas, Oklahoma, Arizona, and California.

Corn harvested for grain has grown by more than 50 percent in the last 5 years. About 40 percent of the 1977 crop was sold for cash while only 38 percent was sold in 1975. Increases in corn production, especially at present prices, should encourage more cattle feeding. Another reason that Wisconsin cattle feeding could show a sizable increase is the availability of enough moisture to produce forage crops economically. With current emphasis on producing cattle with less fat, forage feeding makes Wisconsin a good location for feeding cattle.

With the expected increase in beef production and stability of dairy cow numbers, there will be enough beef calves sold to offset a decrease in dairy calves marketed; calf marketings will be stable. Cattle numbers will show some increase, with cattle marketings increasing perhaps as much as 20 percent.

The fed-beef producer has been reluctant to use auctions in other regions, so Equity may have to *concentrate heaviest on feedlot and private sales* to serve these farmers. The auctions will furnish excellent outlets for cull animals normally sold in limited numbers throughout the year.

Hog marketings in Wisconsin were fairly stable during 1960-71 (table 4). During 1971-77, there was a decline of about 18 percent in marketings. It is difficult to forecast hog production for the next 5 or 10 years. There will be an increase in production of feed grains that would be available for hog feeding and prices appear to offer a favorable return for the next year or two. These factors favor higher production. The unknown factor that could hurt Wisconsin hog production, however, is the disappearance of hog slaughter plants. If hogs must move out of State to packers, price levels could be depressed for Wisconsin hogs and production likely would continue to decline.

Equity has a good record in marketing its members' slaughter hogs. In the future, slaughter hogs may be more difficult to market advantageously due to fewer slaughterers in the State.

Revival of sheep production in Wisconsin is unlikely, although today's high lamb prices and good returns from wool make sheep a good investment. Many areas of Wisconsin have plentiful grass and crop residues and lend themselves to sheep raising. However, most farmers do not care to raise sheep, and market outlets are becoming limited.

Wisconsin producers need Equity's sheep and lamb marketing services. Sheep production has declined to a level where the selling of sheep and lambs fails to return

enough revenue to cover Equity's expenses. It is doubtful if service charges received from marketing sheep will ever again be sufficient to pay the costs to Equity. Some considerations for marketing sheep and lambs will be discussed later.

## Wisconsin Livestock Slaughter

The number of slaughter plants operating in Wisconsin declined by 50 percent in the past 15 years, but most of the plants that closed were small and their shutdown had little effect on total slaughter. The greatest reduction occurred among plants slaughtering calves and sheep. Most of these two species now move to out-of-State slaughter plants.

Although Wisconsin slaughter remains fairly large in cattle and hogs (table 5), both species were imported from other States in substantial numbers. Since Oscar Mayer & Co. has stopped slaughtering hogs in its Madison plant, hog slaughtering in Wisconsin has been reduced by almost 45 percent. It is possible that other plants may increase their kill, but experience in other States does not bear that out.

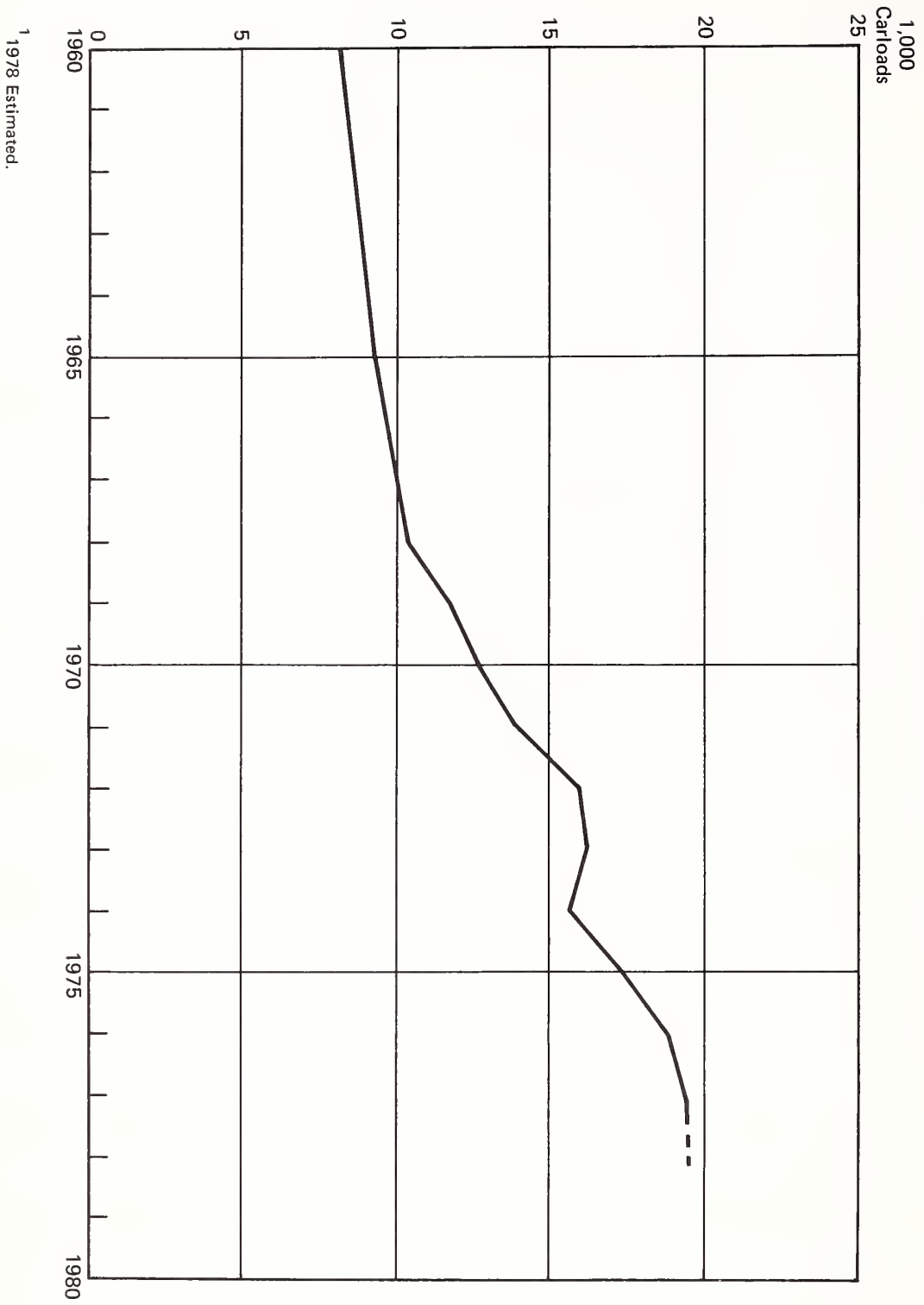
Should Wisconsin hog production remain stable or increase, about 1 million slaughter hogs would need to be shipped to plants in other States. It is not known if Oscar Mayer will continue to operate its buying stations and buy hogs at other markets for shipment to its hog slaughtering plants in Illinois and Iowa.

In 1976, Wisconsin packers purchased cattle from the following sources: 34 percent, direct and through dealers; 35 percent, terminal markets (most of which were purchased outside of Wisconsin); and 31 percent, auctions. Packers purchased 37 percent of their calves direct and from dealers; 13 percent from terminal markets; and 50 percent from auctions. The latter indicates that auction selling is one of the best ways to market calves. Eighty-eight percent of packers' slaughter hogs were received from direct sources; 8 percent from terminals; and only about 4 percent from auctions. Auction selling of slaughter hogs does not draw much producer or packer support.

Table 5—Commercial livestock slaughter in Wisconsin, selected years

Year	Cattle	Calves	Hogs	Sheep
<i>1,000 head</i>				
1960	978.5	1,132.5	3,441.0	185.9
1965	1,221.0	859.5	2,996.0	24.5
1968	1,220.5	539.5	3,048.0	11.4
1969	1,245.5	428.5	3,084.0	10.0
1970	1,155.0	346.5	3,394.0	4.8
1971	1,078.0	287.7	3,783.0	3.4
1972	1,108.0	233.0	3,308.0	3.6
1973	1,200.0	206.7	3,073.0	4.4
1974	1,285.5	292.8	3,476.0	4.9
1975	1,442.0	421.5	3,050.0	4.8
1976	1,782.0	495.5	3,427.0	5.5
1977	1,488.7	478.0	3,205.1	5.4
<i>Percent change</i>				
1960-77	+52.1	-57.8	-6.9	-97.1

Figure 3 — Carloads of livestock marketed by Equity, 1960, 1965, and 1968–78





# Analysis of Operations

## Volume of Livestock Marketed

Equity's volume of individual species has varied widely through the years due to changes in production, types of markets, and transition from terminal and private treaty markets to auctions. But its overall volume has increased continuously since 1960, except for 1974 (fig. 3). During 1960-77, Equity increased its cattle marketings by 221 percent, calf marketings by 86 percent, and hog marketings by 40 percent (table 6). Equity's sheep and lamb volume declined 44 percent, however, following the general downward trend in Wisconsin production. The carloads of total livestock handled increased 138 percent. There is an estimated increase for 1978 of only 110 carloads.

Since Wisconsin is primarily a dairy State, most of Equity's markets handled more cull dairy cows than any other class of cattle. Almost 70 percent of Stratford's cattle consisted of cull dairy cows in 1977. At Monroe, dairy cows represented only 27 percent of the cattle volume, with 47 percent being fed cattle. Cattle other than dairy cows made up 58 percent of Ripon's volume. If dairy cow numbers decline, *beef cattle marketing must receive more attention by Equity*. This can create some problems as beef animals are not marketed as frequently as dairy animals. Adjustments may be necessary in the type of services offered.

Seasonality of marketing does not affect Equity's volume as it does in many regions where the marketing season may last only a few months. The more uniform flow of marketings in Wisconsin results from the large dairy production and the type of feeders who normally sell more frequently. Wisconsin has only a limited number of beef cattle feeders at present. This type of business is expected to grow and may bring more highs and lows in receipts at the markets because of the seasonality of feeder cattle marketings.

While Equity's overall volume increased continually, the rank in volume of individual auctions has changed since 1961 (table 7). Only Altoona retained a constant

**Table 6—Livestock marketed by Equity, selected years**

Year	Cattle	Calves	Hogs	Sheep	Carloads <sup>1</sup>
<i>Number</i>					
1960	90,271	211,043	153,532	38,148	8,149
1965	130,288	196,646	85,904	29,057	9,313
1970	168,984	311,987	114,837	30,715	12,648
1975	269,749	322,212	191,576	26,601	17,354
1976	290,701	375,438	187,527	24,905	18,864
1977	289,653	392,072	215,326	21,467	19,401
1978 <sup>2</sup>					19,511
<i>Percent change</i>					
1960-77	+221	+86	+40	-44	+138

<sup>1</sup>A carload=25 cattle, 75 calves, 70 hogs, 250 feeder pigs, or 115 sheep.

<sup>2</sup>Estimated.

**Table 7—Location of Equity's auction markets, date opened, and rank in volume handled, selected years**

Market location	Date auction opened	Rank in volume <sup>1</sup>		
		1961	1965	1977
Johnson Creek	1960	7	6	1
Ripon	1958	8	8	5
Reedsville	1958	6	7	6
Bonduel	1958	1	1	4
Stratford	1959	4	3	3
Altoona	1957	2	2	2
Sparta	1958	5	5	7
Monroe <sup>2</sup>	1976	-	-	9
Richland Center	1957	3	4	8
Menominee, MI <sup>2</sup>	1974	-	-	10

<sup>1</sup>Based on animal units. An animal unit = 1 head of cattle, 2 calves, 4 hogs, or 5 sheep.

<sup>2</sup>Not operating in 1961-65.

number 2 position. Johnson Creek, a new market in 1961, was not expected to rank high, but has now become the largest volume market. Richland Center and Bonduel slipped significantly. Management should closely study these changes to pinpoint their exact causes. While some of these shifts may seem drastic, there may be good reasons for them. Markets that have lost in the volume comparison may need additional assistance.

Equity handled almost 30 percent of all livestock marketed in Wisconsin in 1977 and 1 percent of U.S. marketings (table 8). Equity's share of Wisconsin marketings ranged

**Table 8—Livestock marketings, United States, Wisconsin, and Equity, 1977<sup>1</sup>**

Species	U.S. marketings	Wisconsin marketings		Equity marketings		
		Number	Percent of U.S.	Number	Percent of U.S.	Percent of Wisconsin
		<i>1,000 head</i>	<i>Percent</i>	<i>1,000 head</i>	<i>Percent</i>	
Cattle	56,560	840	1.5	290	0.5	34.4
Calves	12,563	1,055	8.4	392	3.1	37.2
Hogs and pigs	81,962	2,492	3.0	215	.3	8.6
Sheep and lambs	8,871	68	.8	22	.3	31.6
Total	159,956	4,455	N.A.	919	N.A.	N.A.
		<i>1,000 units</i>	<i>Percent</i>	<i>1,000 units</i>	<i>Percent</i>	
Total animal units <sup>2</sup>	95,661	2,743	2.8	754	0.8	27.5

<sup>1</sup>Marketings rounded to nearest 1,000 head or 1,000 animals Units. Percentages rounded to nearest 1/10 percent.

<sup>2</sup>An animal unit = 1 head of cattle, 2 calves, 4 hogs, or 5 sheep.

N.A. = Not applicable

from 32 to 37 percent for cattle, calves, and sheep and lambs. But Equity handled only about 9 percent of all hogs and pigs marketed in the State. This is a reflection of the type of marketing service Equity provides for slaughter hogs, the strong position of packers in direct procurement, and the strong position of other cooperatives in feeder pig marketing.

Equity will find it more and more difficult to maintain its past record of annual volume increases, since experience has shown that it is difficult to increase an individual cooperative's market share above 35 percent of total livestock marketed in its service area. But Equity has an outstanding record and, with good planning and united effort, may be able to go beyond 40 percent within the next 5 years. Any major volume increase will come about through intensified field work, consolidation with other marketing organizations, or expansion to other areas. There appear to be few if any areas, however, that would permit the feasible expansion of Equity's marketing services. A limited increase in volume could result from improvements in market practices, such as pooling animals and sale of hogs and sheep by the teleauction method where additional buyers may be obtained and price levels raised.

### **Number and Size of Patrons**

The number of farmers patronizing Equity's markets has doubled in the past two decades, increasing from an estimated 25,000 in 1960, to 43,523 in 1970, to 49,109 in 1975, and to 49,999 in 1977. Growth in number of patrons slowed in the midseventies, however, and actually declined slightly in 1977. Equity patrons consigned livestock on an average of about six times during 1977. The average number of consignments ranged from about four for Menominee patrons to nearly eight for Stratford patrons. The average number of animals of each type consigned to Equity in 1977 by patrons selling that type was 8 for cattle, 12 for calves, 27 for hogs, and 13 for sheep. Average patron size varied among markets, ranging from 6 to 13 cattle, 9 to 14 calves, 6 to 71 hogs, and 4 to 15 sheep.

The average patron size is small for cattle and calves as expected when the primary volume is from dairy herds. The markets located in the main hog producing areas had larger hog patrons than those in other areas.

It was not possible to make a complete analysis of patron turnover or of how many may use markets other than Equity's. Contacts with a relatively small number of members showed that most sold all their animals through Equity. Less than 12 percent tried other markets in 1976 and 1977. Only one director reported to us knowledge of a farmer discontinuing the use of an Equity market. Reason given was that free trucking was furnished and a lower tariff charged.

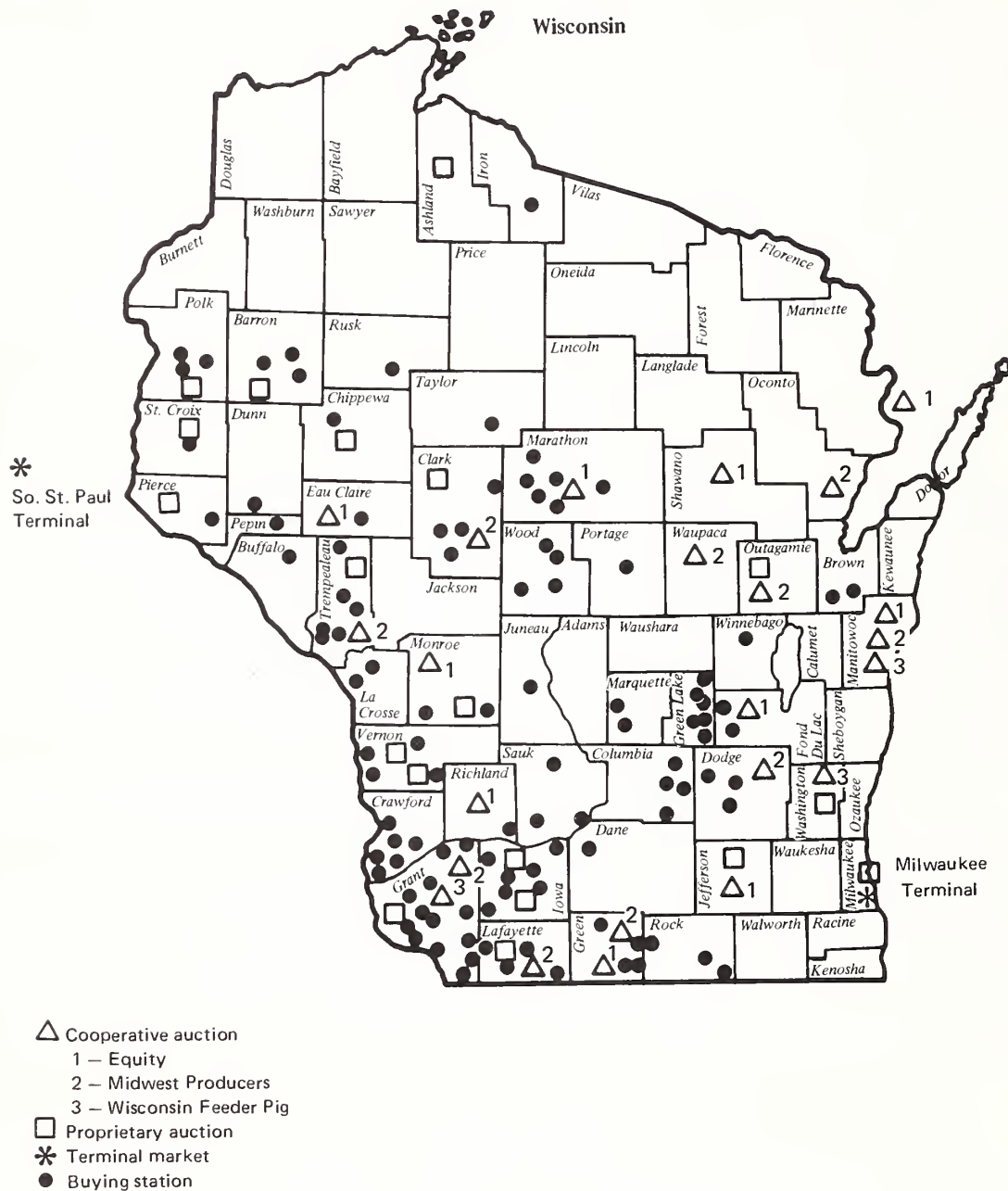
### **Competition**

Wisconsin livestock producers have numerous outlets for marketing livestock. There are 31 auctions, 1 terminal market, and 117 buying stations in Wisconsin (fig. 4). In addition, there are 974 dealers licensed to handle livestock in the State, and the South St. Paul terminal market serves some Wisconsin producers.

The number of auctions has remained fairly constant since 1970, with 26 of the 31 now registered selling slaughter animals (table 9). Dealers declined by almost 22 percent since 1970, and truckers declined by 10 percent.

While Equity's markets draw some livestock from Iowa, Minnesota, Michigan, and Illinois, the South St. Paul market receives a large volume from the Wisconsin counties

Figure 4 — Location of livestock markets serving Wisconsin farmers, 1978<sup>1/</sup>



**Table 9—Number of Wisconsin auctions, dealers, and truckers licensed to handle livestock, selected years**

Year	Auctions <sup>1</sup>	Dealers	Truckers
1970	29	1105	799
1975	30	1017	717
1976	31	987	729
1977	31	964	717
1978	31	974	717

<sup>1</sup>Not all auctions handle slaughter animals, and two locations are general offices of livestock marketing firms.

nearest that terminal. Dealers and packer buyers purchase large quantities of livestock from southwest Wisconsin.

Each of Equity's markets is surrounded by competitive livestock markets. Richland Center has auctions surrounding it at Viola, Dodgeville, and Fennimore. Monroe has competing auctions at Beetown, Dodgeville, Monticello, and Shullsburg. But despite competing auctions in the trade territory of Equity's markets, it has 8 of the top 11 auctions handling slaughter livestock (table 10). The data in table 11 indicate that on an animal unit basis, Equity marketed about 64 percent of the State's auction volume in 1975, 58 percent in 1976, and 60 percent in 1977.

Table 10 shows another interesting fact in that only the top 16 auctions handled more than 25,000 animal units, the minimum volume usually necessary to draw buyers and generate enough income to maintain operations. If the remaining 10 markets are not operating as dealers as well as commission agents, their continued existence is questionable.

Equity appears to be competing well with other marketing organizations in only 3 or 4 of the top 10 livestock producing counties in Wisconsin. Marathon and Chippewa

**Table 10—Volume of livestock handled by Wisconsin auctions, 1976<sup>1</sup>**

Rank of auction	Animal units handled <sup>2</sup>	Rank of auction	Animal units handled <sup>2</sup>
1	<sup>3</sup> 136,797	14	38,290
2	<sup>3</sup> 131,211	15	32,514
3	<sup>3</sup> 116,153	16	29,371
4	<sup>3</sup> 113,476	17	23,129
5	70,511	18	19,790
6	<sup>3</sup> 65,099	19	16,093
7	<sup>3</sup> 61,432	20	13,671
8	<sup>3</sup> 57,011	21	11,595
9	56,953	22	11,210
10	49,467	23	5,411
11	<sup>3</sup> 45,792	24	4,305
12	45,288	25	4,290
13	42,303	26	4,031

<sup>1</sup>Volume does not include feeder pigs.

<sup>2</sup>Animal unit = 1 head of cattle, 1 calf, 3 hogs, or 4 sheep.

<sup>3</sup>Equity auctions.

Source: Packers and Stockyards, Agricultural Marketing Service, U.S. Dept. Agr.



**Table 11—Slaughter livestock sold by all Wisconsin auctions and Equity's auctions, 1975-77**

Year and auction	Gross value of livestock handled	Market income	Livestock handled			
			Cattle	Calves	Hogs	Sheep <sup>1</sup>
	\$1,000		----- Number -----			
1975:						
All <sup>2</sup>	152,235	3,440	427,950	523,050	672,000	20,000
Equity <sup>3</sup>	87,710	1,836	263,306	317,612	127,417	15,575
1976:						
All <sup>2</sup>	182,277	3,830	495,260	571,677	399,898	18,505
Equity <sup>4</sup>	108,277	1,942	283,158	369,834	124,298	15,512
1977:						
All <sup>2</sup>	199,481	3,828	471,000	568,076	350,000	17,580
Equity <sup>4</sup>	119,689	2,057	272,687	386,292	147,784	15,498

<sup>1</sup>Lamb pools not included in Equity's sheep volume.

<sup>2</sup>Twenty-six regularly operating auctions, including Equity's auctions. 1977 figures estimated.

<sup>3</sup>Includes eight auctions. Menominee, MI, and Zumbrota, MN, not included.

<sup>4</sup>Includes nine auctions. Menominee, MI, not included. Monroe operated only part of 1976.

Source: Packers and Stockyards, Agricultural Marketing Service, U.S. Dept. Agr., and Equity records.

counties both rank higher as a source of Equity's 1977 receipts than they do in total production (table 12). These are counties in which Equity has provided marketing services for a number of years and in which there is at most one other auction market.

Seven of the top 10 producing counties rank below tenth as sources of Equity's receipts (table 12). Competition is severe in most of these important producing counties from both auctions and buying stations. Equity faces a real challenge to improve its competitive position in these areas. Competition can encourage greater efforts to increase the volume handled by each market.

**Table 12—Top ten livestock producing counties in Wisconsin and their rank in Equity's livestock receipts<sup>1</sup>**

County	Rank in production	Rank in Equity's receipts
Grant	1	49
Dane	2	6
Marathon	3	1
Dodge	4	5
Green	5	14
Clark <sup>2</sup>	6	15
Fond du Lac <sup>2</sup>	6	13
Vernon	7	35
Chippewa	8	2
Outagamie	9	33
Lafayette	10	48

<sup>1</sup>Ranks based on animal units. An animal unit = 1 head of cattle, 2 calves, 4 hogs, or 5 sheep.

<sup>2</sup>Tied for sixth place in production.

Much of Equity's competition is provided by other livestock marketing cooperatives. This means that Wisconsin livestock producers are competing against themselves in providing marketing facilities and services. The Equity board of directors is well aware of this situation and, in our director survey, two thirds believed that competing cooperative livestock markets in the State are needed.

Equity had a mutually beneficial agreement with the Wisconsin Feeder Pig Marketing Cooperative to market and share the expenses of jointly sponsored graded feeder pig sales at Equity's markets at Johnson Creek, Monroe, Richland Center, and Ripon (app. exhibit 1). This agreement was rescinded in January 1979. Other possible joint ventures should be investigated to make fuller use of the management staff and other resources.

### **Buyers and Outlets**

Adequate buyers and outlets for livestock are the main strength in building and preserving a viable auction marketing system. Generally, the more buyers attending an auction, the better the prices sellers receive for their livestock.

Most of Equity's markets still have adequate buyers to keep prices at competitive levels. They consist of packer buyers, order buyers, dealers, and farmers. There are some weak spots where a limited number of buyers are present. *More effort must be made to ensure adequate buyers or Equity must engage in more dealer or order buying business* to assure that members receive prices commensurate with the value of their livestock.

Reduction of slaughter operations in Wisconsin will call for more effort to encourage buyer attendance at auctions. Discontinuance of hog slaughtering by Oscar Mayer & Co. at Madison will take away buying power at hog markets. This one plant may have purchased one fourth of Equity's slaughter hogs, either through salaried buyers or through order buyers.

Equity has several hog marketing alternatives: (1) increase private treaty sales and operate as a dealer, either alone or in conjunction with another cooperative; (2) sell by the teleauction or other electronic exchange system, perhaps on a regional basis; (3) explore joint selling arrangements with other cooperatives; and (4) invest in slaughter plant facilities with other cooperatives to provide market outlets for hogs. The latter may have the least appeal because of the large capital investment required and the high risk involved. However, hog producers in Wisconsin and other States may find that market outlets for hogs will grow increasingly difficult to locate. Farmers must face the economic fact that an investment in other facilities may be necessary. *The slaughter plant idea deserves additional study by Equity* and other cooperatives located east of the Mississippi River.

The problem of inadequate buyers for sheep and lambs is particularly acute. Equity needs to give serious attention to *developing teleauction sales for sheep and lambs* to attract more competitive buyers. This effort probably would be most effective if undertaken on a multi-State or regional basis in cooperation with other marketing organizations.

### **Revenue and Expenses**

During the past 18 years, Equity's operating revenues increased by \$1,784,394, while expenses increased by \$1,597,622 (table 13). The ratio of income to expenses was more than 4 percent better in 1977 than in 1960. The increase in revenues came through increased volume marketed and higher commission tariffs for selling livestock. Despite inflation in all costs of doing business, the past 5 years have shown good results.

Labor has increased as rapidly as any other cost. Labor requirements have changed

**Table 13—Equity's operating revenue, expenses, and net margins, selected years**

Year	Revenue	Expenses	Net margins <sup>1</sup>
		<i>Dollars</i>	
1960	584,296	582,372	1,924
1965	725,076	727,232	16,925
1970	1,271,526	1,193,386	78,140
1971	1,385,468	1,300,778	58,859
1972	1,672,606	1,534,975	137,631
1973	1,785,132	1,696,504	88,628
1974	1,834,724	1,741,496	93,228
1975	2,051,975	1,886,968	165,007
1976	2,246,697	2,054,772	191,925
1977	2,368,690	2,279,994	86,566

<sup>1</sup>Before payment of dividends.

in the past 20 years as more auctions sell several days each week. Formerly, it was possible to obtain part-time labor for most of the auction jobs. In today's economy, most people are interested in full-time employment. This situation is not expected to change and labor costs will continue to increase as full-time yard help is hired. Along with extra hours, fringe benefits paid to full-time employees will increase operating costs.

Equity has been able to hold its wage rates at reasonable levels despite the rapid increase in national average wage rates. Equity's ratio of wages to income is 5 to 8 percent less than auctions in other States. If the line cannot be held on the ratio of wages to income, Equity must increase sales commission rates or *adopt ways to increase the number of animals handled per man*.

No way can be seen to cut inflationary spirals of wages, utilities, and associated costs. Commission rates will compensate for some added costs, but livestock farmers may rebel and seek other outlets if rates get too high. This is not seen as a serious problem for Equity since average auction income per marketing unit in Wisconsin is the lowest in the United States (table 14). Surrounding States are averaging from 49 cents to \$2.40 more per marketing unit than that received by Wisconsin auctions.

**Table 14—Average auction income per marketing unit<sup>1</sup>, 1976**

State	Income per marketing unit
	<i>Dollars</i>
Wisconsin	3.18
Michigan	3.67
Minnesota	4.35
Illinois	4.44
Indiana	5.58
Kentucky	4.00
Georgia	4.15
Alabama	4.62
California	4.82
Louisiana	5.71

<sup>1</sup>A marketing unit = 1 head of cattle, 1 calf, 3 hogs, or 4 sheep.

Source: Packers and Stockyards, Agricultural Marketing Service, U.S. Dept. Agr.



## Personnel

A limited evaluation of the headquarters personnel revealed capable, dedicated people with the desire to serve Equity's patrons. These employees did not consider their jobs completed in an 8-hour day. All showed willingness to spend the proper time to accomplish their purpose. Available methods are used to improve job efficiency, and all employees are helpful.

The ability of several people to take over the duties of others during vacations, sickness, or for other reasons indicated use of good management principles. The board of directors should *finance additional management training* and authorize the selection of one staff member every year for special courses at a university or one of the professional management institutes.

Equity has one of the best training programs for new employees of any cooperative of equal or larger size. The association has assistant managers at the larger auctions who are actually employees in training for manager jobs as they become available. These new people receive training at the headquarters office to familiarize themselves with accounting practices, recordkeeping, and member and public relations. In addition to assisting on auction days at the markets, they call on farmers to secure livestock for their respective markets and provide other advice.

The training program helps ensure Equity that it has qualified employees to take over as others retire or leave. This eliminates the need to go outside the cooperative for people who would need guidance to adopt Equity's management practices. While the program may appear costly in the early stages, it pays off when vacant or new positions must be filled.

The general manager has a plan to evaluate each employee once a year. This is an excellent exercise for both management and the employee. Some of the *job descriptions should be more detailed* to provide a better standard for measuring employee performance. The general manager should contact Agway, Farmland Industries, and a few other large cooperative organizations to obtain copies of job descriptions, employee duties, and information on their employee performance evaluation procedures.

Wages and salaries of Equity employees appear competitive within the operating area. In limited comparisons with other cooperatives, the salary scale for some of the top management positions is 10 to 25 percent less than that for similar jobs in other States. Many times, a more adequate salary increases performance. However, no salary increases should be made unless the personnel are performing in a superior manner. A manager's incentive plan was also adopted in 1976. The plan is a good one to encourage market managers to work harder. It will in turn build a stronger association statewide.

Fringe benefits include vacations for all employees based upon length of service, sick leave for full-time employees, group life insurance, salary continuation insurance, employee's liability insurance, workers compensation, and group annuity, all of which are paid for by Equity (app. exhibit 2). Employees pay half the Social Security, health insurance premiums, and the savings or thrift plan (app. exhibit 3), with Equity paying the other 50 percent. The cooperative's fringe benefits are liberal and should assist in keeping those who like their work and the security of a well-known organization.

Equity's overall staff is small in comparison to the number of activities supervised and the duties performed. It is therefore necessary that staff members' time be used most wisely so that patrons' livestock marketing needs may be served most effectively.

Equity management might also consider using some of the newer and inexpensive electronic techniques available to communicate with field staff. For example, utilizing

tape recorded messages in lieu of face-to-face meetings might be satisfactory in some cases. Generally, tape reproduction costs \$2 to \$3 each, while typed letters or photocopies are about \$25 to \$50, far less than the costs of personal attendance at a meeting. Given the steady increase in business expenses, this alternative may become even more attractive in the future.

There is no substitute for direct, in-person communications, and it is not suggested here that the present staff meetings be eliminated. However, since time and travel are both extremely expensive, the manager should have the means to convey information in a less costly manner. When staff meeting time is reduced, market personnel would be expected to use this time in efforts to increase their volume and strengthen their marketing programs.

Customarily, Equity has had two or three directors attend the January, May, and September staff meetings. Since the presence of directors may tend to restrict the free interchange of ideas among the staff, *these meetings might be more productive with no directors present*. Any important discussions or problems arising from the staff meetings could be conveyed by management to directors at their regular board meetings, or by mail if more timely communication is necessary.

## Management Structure

Equity is small compared to many other companies. However, it is fast becoming one of the largest cooperative livestock marketing associations in the United States, and its management team should be structured in a way that will facilitate the most efficient and effective management.

The general manager now has 13 people reporting directly to him (fig. 5). This is well beyond the span of control recommended by most management experts. In addition, this structure requires the general manager to become so involved in day-to-day operating problems that he has little time to consider the overall marketing picture and the cooperative's future direction.

We believe *Equity's management team should be restructured* as shown in figure 6 so the number of people reporting directly to the general manager would be reduced to four. The new structure would also group the similar functional operating areas under three department heads.

This does not reduce the responsibility of the general manager's position. In fact, it will enable him to spend more time helping the board of directors establish and attain short- and long-range goals for Equity. It could also reduce the load of business that the directors must consider at their monthly meetings.

The suggested management structure is not intended to eliminate in any way the opportunity for the general manager to contact and visit the managers of Equity's markets. It will shift day-to-day questions pertaining to operations to the director of marketing and assistant general manager. Major decisions relating to goals, policy, and financial matters would be carried to the general manager by the three directors: director of finance and general office manager, director of marketing and assistant general manager, and director of member and public relations.

The suggested structure is not intended to eliminate any contacts or services now provided by the various departments to the auctions and branches. Since the local managers supervise the employees at their markets, these managers would still contact the same people from the Baraboo office for help on general problems.

Figure 5 — Present Management Structure of Equity Cooperative Livestock Sales Association, 1978

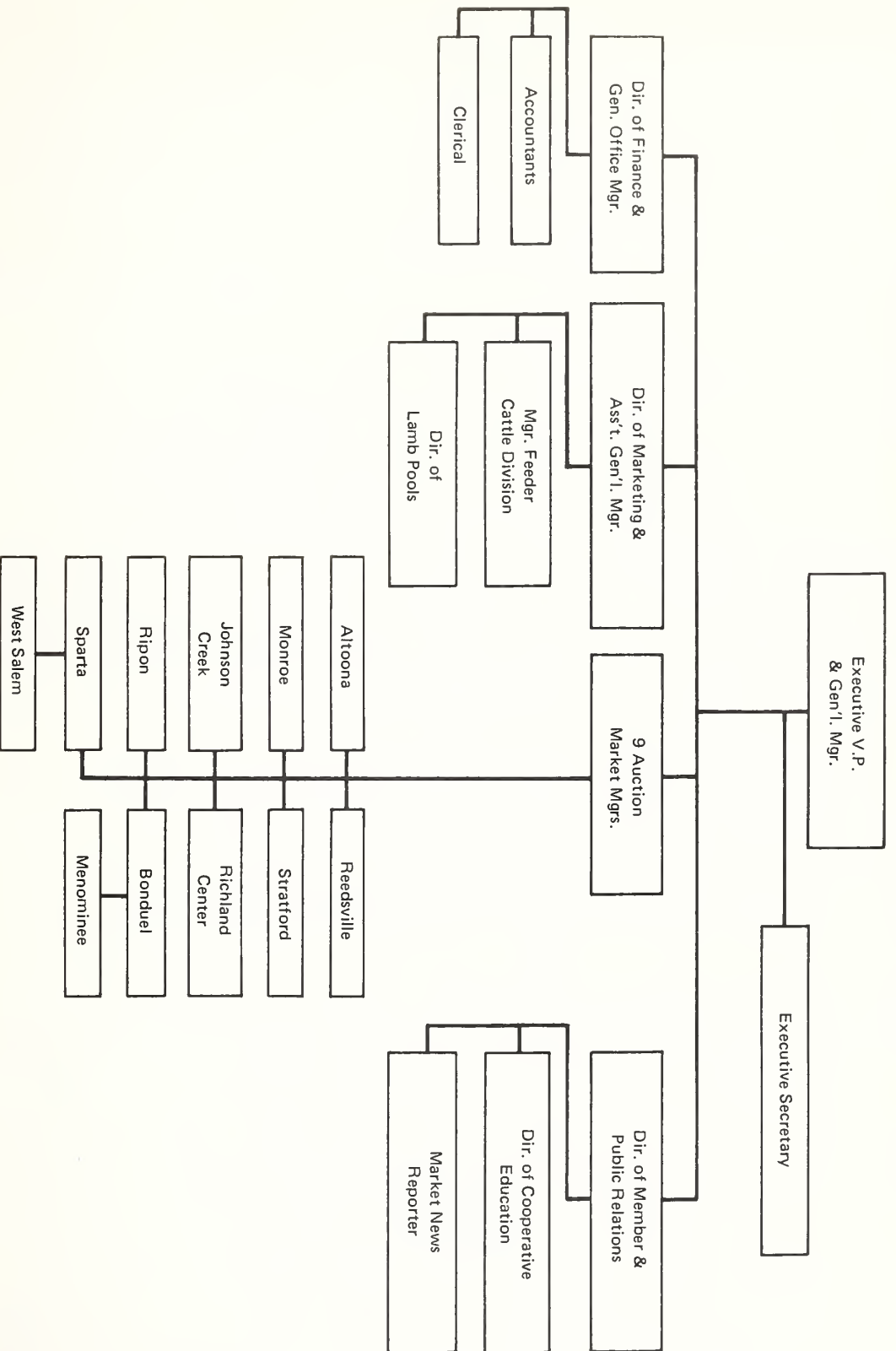
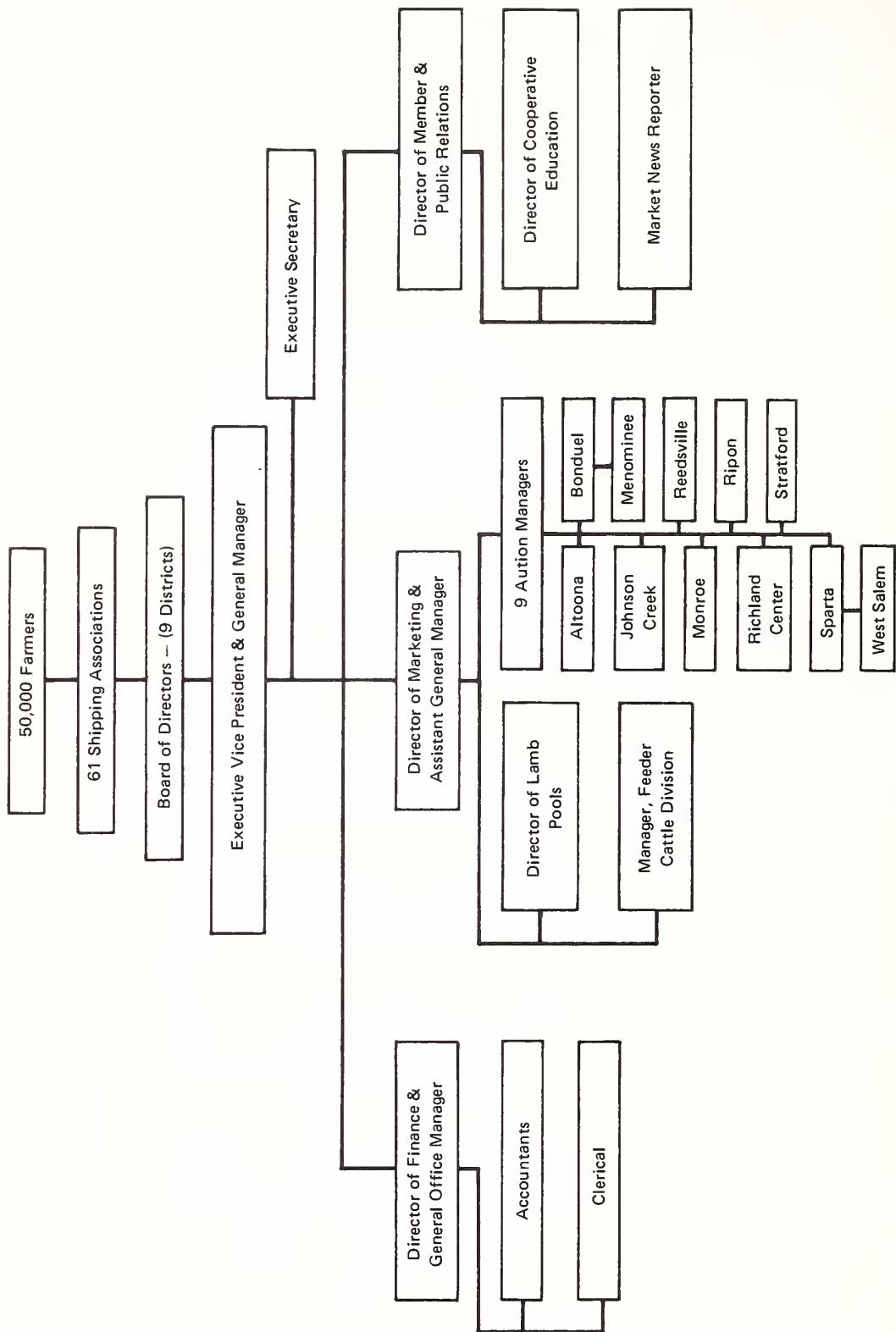


Figure 6 — Suggested Management Structure of Equity Cooperative Livestock Sales Association





## Long-Range Planning

At the time Equity was organized in 1922, its explicit purpose was "to sell livestock for local shipping associations on the Milwaukee market and to make a savings to farmers on commission charges." During 1922-46, this was Equity's obligation and it was well carried out. Not only were savings in commission charges achieved, but more accurate grading and pricing was provided to the shippers as well.

The October 1964 issue of the EQUITY LIVESTOCK NEWS ROUND-UP reported that when Equity's Board approved the plan to expand its operations, the purposes were broadened. The issue further says that in a report published in 1946, Equity's purposes are stated as:

- "1. To support the general price level throughout the State.
2. To represent Wisconsin farmers to obtain the maximum market price for their livestock according to its quality and grade.
3. To market sufficient livestock in order to be a constructive factor in determining the market price.
4. To furnish an economical market sales service.
5. To assist in maintaining reasonable transportation service from farms to markets.
6. To furnish quality feeding livestock at reasonable prices to farmers.
7. Through membership in nationwide cooperatives, to protect the interest of the livestock producer on both a State and national level."

Equity has been responsive to these purposes, and its 56-year history reflects the achievements made by the continual support of the cooperative by Wisconsin farmers. But definitive policy statements on goals and objectives appear lacking. One of the most productive endeavors that Equity's board of directors and operating management could undertake is *setting short-range (1 to 3 years), intermediate-range (4 to 7 years), and long-range (8 to 15 years) goals*. The present budgeting process that headquarters personnel and market managers undertake together each year is only a limited planning procedure that could be easily expanded.

These goals will be guidelines for building a stronger cooperative serving Wisconsin livestock producers. All three ranges of goals fit together in a pattern to plan growth of facilities and services that can be achieved in a definite period. Livestock marketing is never static, but is an ever-changing business. Production units are growing larger, there are shifts in production of the different species, the market demands more uniform products, regulations of local and Federal governments are changing, and probably most evident, there are significant structural changes in the packing industry. The main goal of cooperatives is to strengthen the economic position of livestock producers. Many solutions to problems can be solved by forward planning with definite goals.

Without goals and efforts to achieve them by farmer-members, directors, and staff personnel, the future of the association may be limited. It is suggested that the general manager and his staff be encouraged to immediately begin developing goals for consideration by the board of directors. In developing a long-range plan, management should be given sufficient time to investigate how others use this planning to build stronger organizations.

## Facing the Future

The success of all livestock marketing organizations has been based on handling a large volume of livestock to attract buyers and raise price levels. The goals are to operate at near actual cost with only limited savings realized each year. Equity has a fortunate past in that volume has increased for almost 20 years. This is unusual, since most businesses experience peaks and valleys, depending on production cycles and other conditions. The rapid upward trend in volume cannot be expected to continue if the same paths are followed as those used in the past 10 years.

There appears to be little that can be done to slow the inflationary rates in wages, fringe benefits, equipment costs, utilities, and other general operating costs. Commission rates can be increased with justification, but will farmers continue to pay higher sales rates, transportation, and other increasing costs? Any increase in volume marketed and increased units handled by the same labor force will result in greater savings to the cooperative to the extent they more than offset increased costs.

Equity's past efforts to merge with other Wisconsin cooperatives have not been successful. These experiences, however, should be no roadblock to future consideration of merger. Many directors consider competing cooperative livestock markets good or even necessary. But Wisconsin livestock production is too small to support three or more competing livestock marketing cooperatives, plus proprietary auctions and several hundred dealers, buying stations, and order buyers. Consolidations and mergers, if carried out properly, can help improve the returns of Wisconsin farmers.

Decline in the number of slaughtering plants in Wisconsin and adjacent areas eliminates buyers, reduces competition, and increases the cost of moving livestock to more distant packers. Equity must give serious consideration to working with like groups in controlling slaughter plants.

Where few animals of a particular species are marketed to few buyers, it may be necessary to adopt new selling methods. Teleauction sales by an individual cooperative or several organizations have obtained new markets and better prices.

Since operating and facilities costs continue to skyrocket from levels of the early seventies, it is necessary to ensure that the cooperative is adequately financed. Historically, livestock producers have furnished little or no capital to fund their marketing organizations. These cooperatives have netted them thousands of dollars, and it is now time for farmers to support plans for improving future services with a substantial investment of money.

Equity must constantly study production trends to determine the best services for Wisconsin farmers. Dairy cow numbers will be stable at best, and most experts expect a small decline within the next 5 years. This means there will be fewer cull cows and veal calves to market.

Beef cattle production is expected to increase with a rebuilding of the herds during the next 3 years. Then there will be more beef animals for sale, both calves and cull cows. Cattle feeding may also show a substantial increase.

Hog production will depend largely upon the type of markets provided. Sheep numbers are so few that they are almost a liability to any marketing organization unless producers are willing to pay the costs of marketing limited numbers. Present commission rates do not cover the handling costs.

All of these changes will affect the way Equity markets livestock. It is not inconceivable that the auction market will be unnecessary by 1990. How the cooperative will meet these challenges must be considered when long-term goals are established.

## APPENDIX

### Appendix Exhibit 1—Agreement between Equity Cooperative Livestock Sales Association and Wisconsin Feeder Pig Marketing Cooperative

The purpose of this Agreement is to set forth the guidelines for sharing expenses in regard to jointly sponsored Graded Feeder Pig Sales at the auction markets of Equity Cooperative Livestock Sales, located at Johnson Creek, Richland Center and Ripon, Wisconsin.

It is understood that the personnel furnished by Wisconsin Feeder Pig Marketing Cooperative, such as Grader, Scaleman, etc.; and the yard and office staff furnished by Equity Cooperative Livestock Sales Association; will, for all practical purposes, be offsetting expenses. In other words, each will stand their own labor costs on their own payrolls until such time as an abnormal imbalance occurs.

It is further understood that the facility costs incurred by Equity, such as interest, property taxes, depreciation and insurance, will be absorbed by Equity Cooperative Livestock Sales Association, and will be offset by the market support and buying furnished by Wisconsin Feeder Pig Marketing Cooperative at all three sales.

The following expenses, furnished by either/or Equity Cooperative Livestock Sales and Wisconsin Feeder Pig Marketing Cooperative, will be calculated and deducted from the Gross Income each month:

Auctioneering Expense ..... \$25 per sale  
Monroe \$10 per sale

Advertising:

10% of Equity's advertising at the aforementioned branches.

Advertising expenses paid directly by Wisconsin Feeder Pig Marketing Cooperative, in regard to these sales.

Fire Insurance on Livestock ..... @ \$.004 per head

National Live Stock Producer Dues ..... @ \$.002 per head.

Veterinarian Charges of Wisconsin Feeder Pig Marketing Cooperative and Equity Cooperative Livestock Sales, as in regard to the marketing of feeder pigs at the specified sales.

Utilities ..... 10% of the incurred  
utilities at each of  
the 3 branches

Eartags furnished by Wisconsin Feeder Pig Marketing Cooperative.

10% of office and yard supplies used by the Equity branches involved.

After these expenses are deducted from the Gross Revenue, one-half of the Net Income will accrue to Equity Cooperative Livestock Sales and the other one-half to the Wisconsin Feeder Pig Marketing Cooperative, with settlement monthly.

Auctioneering provided by Equity for Boltonville Feeder Pigs will be offset by telephone lines provided by the Feeder Pig Cooperative.

Claims, adjustments and errors will be shared equally by Wisconsin Feeder Pig Marketing Cooperative and Equity Cooperative Livestock Sales Association, with the decision made by mutual consent of the Wisconsin Feeder Pig Marketing Cooperative and Equity managers at the auction.

Equity Cooperative Livestock Sales Association will assume the credit responsibility for the sale of the feeder pigs at the three above named auction markets.

This Agreement is effective as of October 1, 1974 and shall continue until such time as both parties mutually agree to either amend it or rescind the agreement.

/s/\_\_\_\_\_

Dr. Norbert Dahlke, General Manager  
Wisconsin Feeder Pig Marketing  
Cooperative

/s/\_\_\_\_\_

John D. Jenks,  
Executive Vice President & General  
Manager  
Equity Cooperative Livestock Sales Ass'n.



## Appendix exhibit 2—Schedule of employee benefits

Type	Classification	Percent paid by		Rating
		Company	Employee	
Workers compensation	Statutory	100		N.A.
Unemployment compensation	Statutory	100		N.A.
Social Security	Statutory	50	50	N.A.
Annual vacation pay:	General	100		Average
Less than 1 year . . . . . 1 wk				
Over 1 year . . . . . 2 wks				
Over 10 years . . . . . 3 wks				
Over 20 years . . . . . 4 wks				
Annual sick leave:	General	100		Average
Full time employee . . . . 2 wks				
Group term insurance	Insurance	100		Average
3M to 25M				
3 x A.D.D.				
(Also group ordinary)				
Health insurance	Insurance	50	50	Average
2,000 coverage - 365 Day				
Major medical - 100M				
Salary continuation:	Insurance	100		High
60% of gross pay				
Employees liability - D+O	Insurance	100		High
1 million coverage				
Split dollar insurance	Insurance		100	Average
19M and 1M				
6% of cash value				
Group annuity	Pension	100		Average
1.5% of monthly salary x				
years of service less				
1/2 of primary insurance				
E.R.I.S.A. approved				
Deferred investment or	Pension		100	High
salary reduction - 6%				
Savings or thrift plan	Pension	50	50	High
(Type of deferred				
compensation)				

N.A. - Not applicable.

## Appendix Exhibit 3—Employee thrift plan

The Board of Directors of Equity Cooperative Livestock Sales Association, after careful consideration of the subject, have approved the following Plan as the best and most liberal for employees who by long and faithful service have earned the right to participate therein.

The Board of Directors established this Plan as an evidence of their appreciation of the fidelity, efficiency and loyalty of the employees.

Any employee who has been in the continuous service of the Company for six (6) or more months may become a party to the within Plan by executing this instrument.

Equity Cooperative Livestock Sales Association will hereafter be referred to as "Employer" and \_\_\_\_\_ will hereafter be referred to as "Employee."

1. The Employee agrees that the Employer may deduct from his salary a sum of money equal to 2% of his weekly salary and the Employer agrees to make a weekly contribution equal in amount to said deduction, the said Employee's deduction and the Employer's contribution to constitute a fund to be used as hereinafter set forth.
2. The Employer shall deposit said fund with a responsible financial institution whose savings are insured by a United States Government Agency, in the name of John D. Jenks or Charles E. Fisher, Trustees for \_\_\_\_\_, and the evidence of such deposit, such as Deposit Books, shall be retained by said Employer.
3. At the request of the Employee, funds deposited under the Plan may be used by the Trustee to purchase Preferred Stock of the Employer, but only to the extent of the value of the Employee's contribution of funds. Any stock purchased under this Plan shall be issued to "John D. Jenks or Charles E. Fisher, as Trustee for \_\_\_\_\_," and shall be subject to the same requirements and restrictions as other funds in the Plan.
4. The said fund shall be the property of the Employee excepting as herein set forth.
5. The Employee shall have no right to withdraw money from said fund or make any loans thereon, excepting that the Employee shall have the right to terminate said Plan by giving thirty (30) days notice in writing to the Employer, after which notice the Employee shall be entitled to receive from said fund, the following:
  - (a) If the employee who gives notice of his desire to terminate said Plan continues as an Employee of the Company, he shall receive only the total amount of his salary deductions and the interest thereon and the remainder of said fund shall belong to the Employer.
  - (b) If the Employee who gives notice of his desire to terminate said Plan leaves the employ of the Company he shall be entitled to receive the total amount of the fund.
6. If the relationship of Employer and Employee is terminated for any reason whatsoever, the fund shall become payable to the Employee.
7. If an Employee has availed himself of the right to terminate said Plan and after termination thereof, continue in the employ of the Employer,

said Employee shall no longer be privileged to become a party to said Plan.

8. If the Employee dies while in the employ of the Employer, the said fund shall be paid only in the following manner:

- (a) To the surviving spouse of the Employee.
- (b) If there is no surviving spouse, in equal shares to the Employee's children, or their lineal descendants by right of representation.
- (c) If there is no surviving spouse or lineal descendants living, then the fund shall be paid to the parents of said deceased Employee, or to the survivor of them.
- (d) If there is no surviving spouse, or lineal descendants or parent surviving said deceased Employee, then the said fund shall be paid to the surviving brothers and sisters of the Employee.
- (e) If there is no surviving spouse, lineal descendants, parent, brother or sister, surviving said deceased Employee, then said fund be paid to the nephews and nieces surviving the Employee.

9. The Equity Cooperative Livestock Sales Association is designated as the "named fiduciary" for the Plan to serve until resignation or removal by the Board of Directors and appointment of a successor by resolution of the Board. The named fiduciary of the Plan is hereby designated as the Plan administrator. The responsibilities for the operation and administration of the Plan may be allocated by the named fiduciary, by written designation of the persons who are to carry out fiduciary responsibilities.

10. Claim for Benefits:

If an Employee terminates his participation in the Plan, he shall make a claim for the fund provided. If a claim is in any part denied, notice of the decision shall be furnished to the claimant explaining the specific reasons for denials, referring to the Plan terms on which it is based, describing any additional information which will cause the claim to be allowed and explaining the review procedure.

The claimant may obtain a review of any decision by the named fiduciary of the Plan upon written request within 60 days of denial, may review pertinent documents and may submit written issues and comments. The claimant is entitled to receive a decision within 60 days from the date of request, unless special circumstances exist.

11. Neither the establishment of this Plan, nor any other action now or hereafter taken by the Board of Directors of the Employer shall be held or construed as creating a contract or giving to any Employee a right to

be retained in the service, and the Employer expressly reserves, unaffected hereby, its right to discharge without liability, other than for salary or wages due and unpaid and the fund hereinbefore described, any Employee, whenever the interests of the Employer may, in its judgement, so require.

12. This Plan shall be subject to amendment at any time hereafter by affirmative vote of the Board of Directors of the Employer, provided that such amendment does not affect any right to claim benefits arising prior to such amendment.

IN WITNESS WHEREOF, the employer and employee have caused this instrument to be signed this \_\_\_\_\_ day of \_\_\_\_\_

EQUITY COOPERATIVE LIVESTOCK SALES ASS'N  
Employer

By \_\_\_\_\_  
Executive Vice President  
\_\_\_\_\_  
Employee

Effective Week Ending \_\_\_\_\_

## **Appendix Exhibit 4—Articles of Incorporation of Equity Cooperative Livestock Sales Association**

### **ARTICLE I Name and Principal Office**

The name of the Association shall be EQUITY COOPERATIVE LIVESTOCK SALES ASSOCIATION and its location shall be in the City of Baraboo, County of Sauk, State of Wisconsin, P.O. Address, Baraboo, Wisconsin.

### **ARTICLE II Purpose**

The business and purposes of said Association shall be to buy and sell, or act as agent to buy or sell livestock, to buy or sell equipment and supplies used in the production or distribution of livestock, to own and hold stock in any corporation or cooperative Association, within the limits prescribed by law, to buy, lease, own, sell exchange and deal in all forms of property necessary or incident to the transaction of the business of this Association and to do all other things necessary or incident to the transaction of the business of this Association.

### **ARTICLE III Capital Stock**

*Sec. 1. (a)* This Association shall be operated without profit. The Association

is obligated to its patrons, members and non-members alike, on a patronage basis, or bases, for all amounts, if any, received for agricultural products marketed and for supplies, goods and services procured or services performed for patrons, in excess of (1) advances to patrons for products to be marketed, (2) the cost of supplies, goods and services, and (3) a fair part of the general operating costs and expenses of the Association properly chargeable to each type of commodity or service, including valuation reserves and dividends or interest on capital.

- (b) The Association is authorized to retain such excess, if any for Association capital and all such amounts, at the moment of receipt, are received with the understanding that they are furnished by the patrons as capital. The books shall always show the interest of each patron in such capital. Interest may be paid on revolving fund certificates at such rate as the Board of Directors may determine, but not in excess of four percent (4%) per annum.
- (c) Such retains for capital purposes shall be evidenced by certificates of capital stock, revolving fund certificates or credits in capital ledger accounts, as the Board of Directors may determine, or be repaid to the patrons in cash.
- (d) Stockholders, as such, shall have no property rights in the capital so furnished by the patrons.
- (e) It is the intention of this Association to operate in such manner that there will be no net income, but if in any year a net income is realized it shall be distributed to the patrons, members and non-members alike, on a patronage basis.

Sec. 2. (a) The Capital Stock of this Association shall be Eight Hundred Fifty Thousand Dollars (\$850,000.00) which shall be divided into Eight Thousand Eight Hundred (8,800) shares of Common Stock of the par value of Fifty Dollars (\$50.00) each, Four Thousand (4,000) shares of Preferred Stock of the par value of One Hundred Dollars (\$100.00) each and Ten Thousand (10,000) shares of Preferred Stock, Second Issue, of the par value of One Dollar (\$1.00) each.

- (b) 1. Common Stock shall be issued only to cooperative associations organized under Chapter 185 of Wisconsin Statutes and Associations or corporations doing business on a cooperative basis, composed of livestock producers, either as breeders or feeders.
- 2. Each Member cooperative or like Association holding one share of Common Stock shall have a minimum of one (1) Vote; in addition to a minimum of one (1) vote, each



member Cooperative or like Association may have an additional vote, or votes, according to the number of its members or patrons or volume of business done with this Association, or any combination thereof, as may be provided for in the Bylaws.

3. Holders of Common Stock shall lose the right to vote when the Board of Directors finds that the holder:

(1) Is not an agricultural cooperative association as defined in the Agricultural Marketing Act of 1935 (12ASC114(1) (a)).

(2) Or has not patronized this Association in the last 12 months.

4. (Amended Annual Meeting 1968)

No Dividend shall be declared on Common Stock.

(c) (Amended Annual Meeting 1975.)

Except as provided by law, Preferred Stock and Preferred Stock, Second Issue, shall not entitle its holder to vote. Dividend on the One Hundred Dollar (\$100.00) par value Preferred Stock shall be paid at six percent (6%) of par and dividend on the one dollar (\$1.00) par value Preferred Stock, Second Issue, may be paid at four percent (4%) of par when the annual net proceeds are sufficient for that purpose. They shall not be cumulative.

(d) No transfer of stock shall be binding upon the Association unless made on its books. A stockholder who wishes to offer his stock for sale shall first offer it to the Board of Directors. Until thirty days after receiving such offer, the Board shall have the option to buy such stock for the Association as provided by Statute. The Board also shall have the right to recall the stock of any stockholder, as provided by Statute, upon thirty days notice in writing by mail to the holder's last post office address, as shown by Association records. Upon similar notice Preferred Stock and Preferred Stock, Second Issue, may be redeemed in whole, or in part, when called in the same order as originally issued, by years. When recalling the Common Stock of a holder not entitled to vote, payment may be made in Preferred Stock at par or Certificates of Equity issued by the Association at face value. When retiring stock, the Association may offset against it any sum the holder may owe the Association. Upon failure to receive a Certificate of Stock, which has been recalled for redemption, or for any other reason, within the time fixed for surrender thereof, the Association may cancel the stock on its books and carry the value thereof as an account for the holder without interest until the Certificate is presented.

Sec. 3. Upon liquidation or winding up of this Association any sum

remaining after payment of other debts and retirement of Preferred Stock and Preferred Stock, Second Issue, at par, shall be distributed proportionately to the holders of outstanding stock on the basis of and up to its par value and to the patrons on the basis of their allocable equities in capital reserves up to their face value. Any sum still remaining shall go to patrons on a patronage basis.

*Sec. 4.* The provisions of Section 185.52, Wisconsin Statutes, shall be applicable to all of the capital stock of this Association issued prior to June 30, 1956 or thereafter.

## **ARTICLE IV**

### **Directors and Officers**

*Sec. 1.* The number of Directors shall not be less than five (5) and the number, method and manner of election shall be set forth in the Bylaws.

*Sec. 2.* The Directors shall elect from their number a President, one or more Vice Presidents and other Officers as shall be provided for in the Bylaws.

## **ARTICLE V**

### **Duties of Officers**

The principal duties of the President shall be to preside at all meetings of the Board of Directors, and to have a general supervision of the affairs of the Corporation.

The principal duties of the Vice-President shall be to discharge the duties of the President in the event of the absence or disability, for any cause whatever, of the latter.

The principal duties of the Secretary shall be to countersign all deeds, leases and conveyances executed by the Corporation, affix the seal of the Corporation thereto, and to such other papers as shall be required or directed to be sealed, and to keep a record of the proceedings of the Board of Directors, and to safely and systematically keep all books, papers, records and documents belonging to the Corporation, or in any wise pertaining to the business thereof.

The principal duties of the Treasurer shall be to keep and account for all moneys, credits and property, of any and every nature, of the Corporation, which shall come into his hands, and keep an accurate account of all moneys received and disbursed, and proper vouchers for moneys disbursed, and to render such accounts, statements and inventories of moneys received and disbursed, and of money and property on hand, and generally of all matters pertaining to this office, as shall be required by the Board of Directors.

The Board of Directors shall provide for the appointment of a Manager and define his powers and duties as they may deem for the best interests of the Corporation.

Whenever the Board of Directors may so order the offices of Secretary and Treasurer may be held by the same person.

The said officers shall perform such additional or different duties as shall from time to time be imposed or required by the Board of Directors, or as may be prescribed from time to time by the Bylaws.

**ARTICLE VI**  
**Amendments**

The Association may amend these Articles in the manner provided by Statute at the time of Amendment.

**Appendix Exhibit 5—Bylaws of Equity  
Cooperative Livestock Sales Association,  
as amended March 19, 1977**

**BYLAWS OF EQUITY COOPERATIVE LIVESTOCK  
SALES ASSOCIATION**

**BYLAW I**

**Bylaws Include Articles**

The provisions of the Articles of Incorporation of this Association are hereby made a part of these Bylaws.

**BYLAW 2**

**Fiscal Year**

**(Amended by Board 2/11/77)**

**(Reported to Membership 3/19/77)**

The Fiscal Year of this Association shall end on the last Saturday of the Calendar Year.

**BYLAW 3**

**Meetings**

*Sec. 1. Regular Meetings: Time:*

The regular Annual Meeting of the Association shall be held within ninety (90) days after the close of the preceding business year at such place within the trade territory as the Directors shall determine.

*Sec. 2. Notice:*

Not less than seven or more than twenty days before each regular meeting, written notice of the time and place of the meeting shall be given to the members, personally or by mail, to their last known addresses as shown on the Association records.

*Sec. 3. Special Meetings:*

- a. The President may call a Special Meeting of the Association upon giving notice to the members in the manner herein described for a regular meeting, except the notice shall specify the purpose of the Special Meeting.

- b. Upon written demand, signed by at least twenty percent (20%) of the members, the President shall call a Special Meeting for the purpose to which the demand relates, in the manner herein described.

#### *Sec. 4. Quorum:*

At a meeting of the members, a quorum must be present in person. The percentage of all the members necessary to constitute a quorum at a meeting of the members is as follows:

When the membership is under two hundred—twenty percent; when it is equal to two hundred, but less than five hundred—fifteen percent; when it is equal to five hundred, and not in excess of one thousand—ten percent; when it is in excess of one thousand—ten percent of the first thousand members and five percent of the number in excess of one thousand.

Provided that a number of members not less than twice the number of the Board of Directors is a quorum to transact any business, other than amending Articles of Incorporation, which has been specifically set forth in the notice of the meeting.

#### *Sec. 5. Voting:*

- (1) Only Common Stockholders shall have voting power. Preferred Stockholders shall vote only as provided for by law. Voting by proxy is not allowed in the Association, but members may vote by mail as provided for by law.
- (2) All Common Stockholders shall be Member Associations and shall be represented by delegates at membership meetings.
- (3) (Amended by Board 2/11/77)  
(Reported to Membership 3/19/77)

Each Member Association shall have one delegate and one additional delegate for each one hundred (100) members, or major fraction thereof of the members who market their livestock through Equity Cooperative Livestock Sales Association.

- (4) Each delegate shall have one vote.
- (5) Each Member Association may elect delegates in accordance with the policies of their Board of Directors or Bylaws.
- (6) The Board of Directors shall prescribe the form to be used and procedure to follow for certifying delegates to membership meetings.

*Sec. 6. a. Order of Business:*

The order of business at Annual Meetings, and so far as applicable, at other meetings of the members, shall be substantially as follows:

- (1) Appointment of Committees by the President.
- (2) Roll Call or Registration.
- (3) Reading and Disposal of Unapproved Minutes.
- (4) Reports of Officers and Committees.
- (5) Unfinished Business.
- (6) New Business.
- (7) Election of Directors.
- (8) Adjournment.

**BYLAW 4**

**Board of Directors**

**(Sec. 1,2,3 & 6 Added and Amended Meeting 1965)**

*Sec. 1. Number:*

The Board of Directors shall consist of one natural person from each District, who is a representative of a Member Association.

*Sec. 2. Qualifications:*

- a. Each nominee for Director to the Board of Directors shall be a member in good standing.
- b. The nominee shall be a resident of the District having a vacancy and shall be an owner or operator of a farm, who is actively producing livestock and using the facilities of Equity Cooperative Livestock Sales Association as a marketing agent. (Amended by Resolution 3/14/70 - Annual Meeting)
- c. Nominees shall not have a conflict of interests and will be required to sign an affidavit to that effect.

*Sec. 3. Nominations:*

- a. A Director shall be nominated by the delegates of Member Associations at the District Meetings and be certified by the District as a nominee.
- b. Only delegates from Districts with existing vacancies may make additional nominations for such vacancies.



*Sec. 4. Election and Terms: (Amended by Board 12/15/65. Reported to Membership 3/19/66)*

- a. At the Annual Meeting to be held in 1966 there shall be Directors elected as follows:

From District Number One... A Director for a three year term.  
From District Number Five... A Director for a one year term.  
From District Number Six ... A Director for a two year term.  
From District Number Seven.. A Director for a three year term.  
From District Number Eight.. A Director for a one year term.  
From District Number Nine... A Director for a two year term.

- b. At the Annual Meeting to be held in 1967 there shall be Directors elected as follows:

From District Number Two ... A Director for a three year term.  
From District Number Three.. A Director for a one year term.  
From District Number Four... A Director for a two year term.  
From District Number Five... A Director for a three year term.  
From District Number Eight.. A Director for a three year term.

- c. At each Annual Meeting thereafter there shall be elected by the delegates of Member Associations, Directors equal in number to those whose terms have expired, for terms of three years each. Election of a Director to fill a vacancy occurring before the end of the term shall be for the unexpired term only. Each Director shall hold office for the term he is elected and until his successor is elected and enters upon his office.

*Sec. 5. Vacancies:*

Vacancies occurring on the Board of Directors, except any caused by removal by the Association Members, may be filled by the remaining Directors until the next election by the members of the Association.

Resolution passed at 3/22/75 Annual Meeting reads as follows:

**ALTERNATE DIRECTORS:**

In order to insure that each District is able to have a voice in selecting a possible replacement for a Director who, for any reason, cannot continue to serve on the Board, BE IT RESOLVED that a second ballot be cast to determine who shall be the Alternate to the Director. Said ballot shall contain the names of all unsuccessful nominees on the prior ballot for Director, plus the names of any additional persons who might be nominated from the floor.

*Sec. 6. Organization of Board:*

The Association shall be managed by Directors elected by the delegates of Member Associations. After Directors organize and elect officers they shall be known as a Board of Directors and referred to in these Bylaws as the Board.

*Sec. 7. Meetings:*

*a. Time:*

The Directors may hold their Annual Meeting, without further notice, immediately after the close of the Annual Meeting of the Association, but shall hold it within ten days after such meeting of the Association. They shall hold a regular meeting at least once every two months at such time and place as the Board shall fix. The President may call special meetings at any time and shall do so upon demand of a majority of the Directors, or upon demand of the Manager.

*b. Notice:*

Notice of every Directors' Meeting, except as provided in Paragraph (a), shall be given to each Director and received by him at least 24 hours before the meeting; or the meeting may be held on written waiver of notice by all the Directors.

*c. Quorum:*

A majority of the Directors shall constitute a Quorum at a Board Meeting, but a less number may adjourn to another time, upon giving notice to the absent members of the time and place of the adjourned meeting.

*Sec. 8. Compensation:*

The members of the Board shall receive a compensation for their services not to exceed the sum of forty-five dollars per day (\$45.00) and necessary expenses. (Amended by Resolution - Annual Meeting, March 20, 1976)

*Sec. 9. General Powers and Duties:*

The Board shall have authority to enter into any and all lawful contracts and obligations essential to the transaction of the affairs of the Association, and to issue such notes, bills, or other evidence of indebtedness as may be necessary therefore; to act on grievances and complaints; and to carry out and put into effect as soon as possible any and all orders and resolutions adopted by the Association.

*Sec. 10. Officers:*

The Directors, at their Annual Meeting, shall elect from their number a President and Vice-Presidents and shall elect a Secretary and a Treasurer, or Secretary-Treasurer, who may or may not be from their number.

*Sec. 11. No Loan of Association Funds:*

The Board shall have no power to loan or to authorize any officers or person to loan any of the funds of the Association to themselves, any officer, any person, firm or association whatsoever.

*Sec. 12. Employees:*

- a. The Directors shall employ a General Manager and shall fix his compensation.
- b. The Directors shall have the authority to remove the Manager whenever they deem it necessary.

*Sec. 13. Bonds:*

The Directors shall require every officer, manager and employee to whom funds or other property of the Association are entrusted, or who is empowered to disburse or authorize the disbursement of its funds, or is charged with making or keeping its records, to furnish, at Association expense, Bond in such amount as the Directors shall determine.

*Sec. 14. Insurance:*

The Directors shall provide for the adequate insurance of the property of the Association and property in its possession, or stored by it, and not otherwise adequately insured, and for adequate insurance covering liability to employees and the public.

*Sec. 15 Indemnification: (Amended by Board of Directors 10/28/76)*

- a. The Corporation shall indemnify any Director, Officer, Employee, or other agent, and protect him or them harmless and free from any loss by reason of any act, or failure to act, performed in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Association.
- b. The Board of Directors is authorized to purchase and maintain insurance on behalf of any person who is, or was, a Director, Officer, employee, or agent of the Association, against any liability asserted against such person and incurred by such person in any such capacity or arising out of his status as such.

## **BYLAW 5**

### **Manager**

#### *Sec. 1. Other Business Forbidden:*

The Manager shall not engage in business of like nature to that of the Association, nor be employed by anyone else in such a business.

#### *Sec. 2. General Powers and Duties:*

The Manager shall have general charge of the ordinary and usual business operations of the Association, under and subject to the Directors' approval, and control of the Directors.

#### *Sec. 3. Accounts:*

The Manager shall be required to maintain his records and accounts in such manner that the condition of the business may be correctly ascertained therefrom at any time. He shall render annual and periodical statements in the form and manner prescribed by the Directors. He shall carefully preserve all books, documents, correspondence and records of whatever kind, pertaining to the business, which may come into his possession.

#### *Sec. 4. Subsection I. Funds:*

The Manager shall handle and account for, in the manner and form prescribed by the Directors, all monies and other property belonging to the Association which shall come into his possession.

#### *Subsection II. Bank Accounts:*

The Board of Directors shall have the authority to designate the bank, or banks, of depository and shall be empowered to take receipts from the sale of member-patrons' livestock into its general funds, pending distribution of such proceeds and to make use thereof in the general operations of the Association.

## **BYLAW 6**

### **Audits**

At the close of each Fiscal Year, and at such other times as the Board shall determine, the books and accounts of the Association shall be carefully audited by an Auditor from the Wisconsin State Department of Agriculture, or some other competent and disinterested Public Auditor or Accountant.



## BYLAW 7

### Capital Structure

#### *Sec. 1. Patronage Capital:*

This Association shall be so operated that the current and active patrons, members and non-members alike, through their patronage will furnish money on the basis of patronage for capitalizing the Association.

#### *Sec. 2. Evidence:*

The capital so furnished by patrons on a patronage basis shall be evidenced by the issuance of capital stock at par, revolving fund certificates or credits in capital ledger accounts; but common stock shall not be issued to persons not eligible for voting membership. No form of evidence of capital ownership, other than common stock, shall be issued to a non-member Association patron eligible to voting membership until he is the owner of one share.

Distribution of Patronage Dividends to livestock producers shipping independently of Shipping Associations, shall first be in the form of Preferred Stock credits until one share of Preferred Stock has been accumulated; thereafter the Patronage Dividend shall be in whatever form may be decided upon by the Board of Directors, except that it cannot be in Common Stock. Otherwise, it shall be in line with Patronage Dividends paid to Associations and it cannot be contrary to the Articles of Incorporation.

#### *Sec. 3. Revolving Capital:*

To further the cooperative character of the Association and to establish a means by which its currently active patrons, at all times, shall be its voting members and the owners of its capital as nearly as possible in proportion to the amount of business done by each with the Association, the capital (other than stock) however evidenced, shall be revolved from time to time as funds are determined by the Board of Directors to be available for that purpose. The Certificates evidencing interest in such revolving fund shall be issued in annual series.

#### *Sec. 4. Transfers and Retirement:*

All forms of evidence of capital ownership shall be transferable only on the books of the Association. Revolving Fund Certificates shall be retired fully, or on a pro rata basis, only at the discretion of the Board of Directors in the same order as originally issued by years. The Board shall also have the power to, at any time, pay off and retire any form of evidence of capital ownership held by individual owners to compromise or settle a dispute, to assist in the settling of

an estate in probate, or in bankruptcy, or otherwise when such action appears advantageous to the Association. Also, the Board of Directors shall be authorized to, at any time, pay off and retire any form of capital ownership held by a Member Association when such an Association is no longer a patron, or upon the dissolution of a Member Association. When purchasing or retiring any form of evidence of capital ownership, the Association, in making payment therefore, may deduct any sum owing to it by the holder.

*Sec. 5. Conditions:*

Every form of Certificates issued to evidence any capital ownership shall be subject to such terms and conditions, not inconsistent with the Articles of Incorporation and these Bylaws, as may be prescribed from time to time by the Board of Directors. Such terms and conditions shall appear on the Certificate.

*Sec. 6. Losses:*

In the event the Association suffers a loss in any year, the Board of Directors shall prescribe the basis on which the capital furnished by the patrons shall be reduced on account of any such loss, so that it will be borne by the patrons on as equitable a basis as the Board of Directors finds practicable.

*Sec. 7. Membership Business:*

Except as to business done for the United States, or any of its agencies, the Association shall not:

- (a) Market the product of non-members in an amount the value of which exceeds the value of the products marketed for members.
- (b) Purchase supplies and equipment for non-members in an amount the value of which exceeds the value of supplies and equipment purchased for members, nor
- (c) Make purchases for non-members who are not producers of agricultural products in any amount the value of which exceeds fifteen percent (15%) of the value of its purchases.

## **BYLAW 8**

### **Enactment, Amendment and Repeal of Bylaws**

By vote of a majority of the members voting, Bylaws may be adopted, amended or repealed at any regular meeting, or at any special meeting of the Association members called for that purpose. The Directors are authorized to adopt or amend the Bylaws. Bylaws adopted or amended by the Directors shall be reported at the next regular membership meeting.

## **BYLAW 9**

### **Patrons Tax Obligations on Patronage Refunds**

- Sec. 1.* Not less than twenty percent (20%) of each patron member and non-member Patronage Refunds shall be paid in cash on or before the fifteenth day of the ninth month after the close of the Fiscal Year of this Cooperative.
- Sec. 2.* Each person who hereafter applies for and is accepted to membership in this Cooperative and each member of this Cooperative on the effective date of this Bylaw, who continues as a member after such a date, shall by this act alone, consent that the amount of any distributions, with respect to this patronage occurring for fiscal years commencing after December 31, 1962, which are made in written notices of allocation (as defined in Title 26, United States Code, Section 1388) and which are received by him from the Cooperative, will be taken into account by him at their stated dollar amounts in computing gross income in the manner provided in Title 26, United States Code, Section 1385 (a) in the taxable year in which such written notices of allocation are received by him.
- Sec. 3.* The Board of Directors shall supply every member with a copy of this Bylaw and obtain all non-member patrons' consent to include all the Patronage Refunds subject to provisions in Title 26, United States Code, Section 1385.

## **BYLAW 10**

### **Provisions of Laws Govern**

Each provision of these Bylaws and each Amendment, or addition thereto, will be effective only if and so long as not contrary to or inconsistent with law or with the Articles of Incorporation of this Association.

## **BYLAW 11**

### **Districts**

#### **(Amended at Annual Meeting - 1971)**

*Sec. 1. a. Area:*

The State of Wisconsin and adjacent territory served by Equity Cooperative Livestock Sales Association shall be divided by the Board of Directors into not more than nine Districts.

*b. Assignment:*

Each Member Association shall be assigned to a District as provided for in Section 1 (a) of this Bylaw.

*c. Redistricting:*

1. Annually for the first five years, following the adoption of this Bylaw, and at regular intervals of not to exceed three years thereafter, the Board shall elect a Districting Committee to include a representative of a member Association from each District to review the number and location of Member Associations in each District. They shall report changes and recommendations as they deem necessary to serve the best interest of Equity Cooperative Livestock Sales Association.
2. Requests for transfer to another District shall be decided by the Districting Committee.

*Sec. 2 Meetings:*

*a. Time:*

Prior to each Annual Meeting of the Equity Cooperative Livestock Sales Association, the membership assigned to each District shall hold an Annual District Meeting. Each Member Association shall be represented by its delegate or delegates. A delegate shall represent only one Member Association at special or annual membership Association Meetings. (Last sentence amended by Board 3/19/66. Reported to membership 3/19/66)

*b. Conduct:*

1. The meeting shall be called and conducted by the member of the Board of Directors residing in the District or, in his absence, any other member of the Board of Directors. The Minutes and records of the meeting shall be kept by a person appointed by the Directors.
2. The Order of Business at a District Meeting shall include Registration of Association Delegates, a report of the officers, a report of the Management, additional informational reports, nomination of Directors and other business necessary to the welfare and progress of the Association.
3. A Summary of the District Minutes, including recommendations and Resolutions, shall be reported to the Annual Meeting delegates.

*Sec. 3. Nomination of a Director:*

- a. In the year that a vacancy shall occur in any District, a Director shall be nominated from the District as a candidate for election to the Board of Directors at the Annual Meeting.



- b. 1. A Committee of representatives from Member-Associations may be appointed by the Board of Directors to present at least two nominees at each District meeting for consideration by the delegates for nomination at the District Meeting. Additional nominations may be made by Association delegates from the floor.
2. The nominee shall receive a majority vote of the delegates present to be certified by the District as a candidate.

STATE OF WISCONSIN       )  
   )  
 \_\_\_\_\_ County)

To the Secretary:

Use this affidavit form only  
 when a certified or verified  
 copy of the Articles or Bylaws  
 is needed.

\_\_\_\_\_, being first duly sworn, says that he is the Secretary  
 of \_\_\_\_\_, a Cooperative Association organized and existing under  
 the laws of the State of Wisconsin, and that the foregoing is a true, correct and complete  
 copy of the Articles of Incorporation and Bylaws of said Association duly adopted  
 \_\_\_\_\_, 19\_\_ . (as amended) and now in effect.

Subscribed and sworn to before me \_\_\_\_\_

Notary Public, \_\_\_\_\_ County, Wisconsin.

My commission expires \_\_\_\_\_, 19\_\_.



## Other Publications Available

*Cooperative Strategies for the Pork Industry.* David L. Holder and Ralph E. Hepp. Marketing Research Report 1097. July 1978. 35 pp.

*The Future Role of Cooperatives in the Red Meats Industry.* Marketing Research Report 1089. April 1978. 99 pp.

*Cooperative Marketing Alternatives for Sheep and Lamb Producers.* David L. Holder. Marketing Research Report 1081. August 1977. 40 pp.

*Contract Integrated, Cooperative Cattle Marketing System.* Clement E. Ward. Marketing Research Report 1078. July 1977. 28 pp.

*Marketing Slaughter Cows and Calves in the Northeast.* John T. Haas, Paul C. Wilkins, and James B. Roof. FCS Research Report 36. January 1977. 52 pp.

*Livestock Industry Trends: Implications for Cooperatives.* G. Alvin Carpenter. FCS Information 92. April 1973. 24 pp.

## COOPERATIVE PROGRAM

U.S. Department of Agriculture  
Economics, Statistics, and Cooperatives Service

The Cooperative Program of ESCS provides research, management, and educational assistance to cooperatives to strengthen the economic position of farmers and other rural residents. It works directly with cooperative leaders and Federal and State agencies to improve organization, leadership, and operation of cooperatives and to give guidance to further development.

The Program (1) helps farmers and other rural residents obtain supplies and services at lower cost and to get better prices for products they sell; (2) advises rural residents on developing existing resources through cooperative action to enhance rural living; (3) helps cooperatives improve services and operating efficiency; (4) informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and (5) encourages international cooperative programs.

The Program publishes research and education materials and issues *Farmer Cooperatives*. All programs and activities are conducted on a nondiscriminatory basis, without regard to race, creed, color, sex, or national origin.